

## *Daon Shopping Centres, Alberta*



### *Heritage Mall · Edmonton*



### *Bower Place Shopping Centre · Red Deer*



### *Sunridge Mall · Calgary*

*This Brochure is not an offering of the securities described herein. The securities described herein may not be sold nor may an offer to buy be accepted prior to the time an Offering Memorandum is delivered to the prospective investor.*

This Brochure is not an offering of the securities described herein. The securities described herein may not be sold nor may an offer to buy be accepted prior to the time an Offering Memorandum is delivered to the prospective investor.

The purpose of this Brochure is to provide information with respect to the offering of Class A Limited Partnership Units in Daon Shopping Centres, Alberta. The investment in Class A Units involves certain risks to investors and certain suitability standards may be imposed in connection with the investment.

A prospective investor will not be able to fully assess the implications of an investment in Class A Units without reference to the Offering Memorandum which must be delivered to the prospective investor.

The information contained in this Brochure is subject to change and may differ substantially from the information and terms of the issue of the Class A Units contained in the Offering Memorandum.

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# The Offering

## Shopping Centre Development

In recent years shopping centres have expanded from the traditional concentration of retail activities to become a focus for an extended range of activities. Today regional shopping centres have emerged as major community retail and service centres. The recent increases in the price of gasoline have made it desirable for consumers to make fewer but multi-purpose shopping trips. Regional shopping centres offer easy accessibility and a broad range of retail stores and services.

As a result of increasing construction costs, scarcity of appropriate sites, high interest rates and a multiplicity of governmental regulations, the development of regional shopping centres has become increasingly difficult and expensive. In addition, as the economic success of a shopping centre is dependent upon the choice of location, the distribution of mall space, and tenant mix, shopping centre development has remained in the domain of specialists. Very few investors have the expertise or financial resources to participate in shopping centre development and ownership. As a result, significant demand for shopping centre investments exist.

## The Offering

This is an offering of 1,420 Class A Limited Partnership Units in Daon Shopping Centres, Alberta, a limited partnership formed under the laws of the Province of Alberta. Daon Development Corporation will hold 750 Class B Limited

Partnership Units and 50 Class C Limited Partnership Units.

The Offering is being made to persons who are purchasing as principals only and, in the case of investors in British Columbia, Alberta, Saskatchewan and Manitoba, who meet certain minimum requirements of net worth or taxable income and who, by virtue of their investment experience or advice, are in a position to evaluate the prospective investment on the basis of information presented to them. The Partnership is engaged in the development, construction and leasing of three regional shopping centres in Alberta — Heritage Mall in Edmonton, Bower Place Shopping Centre in Red Deer and Sunridge Mall in Calgary. Following their completion, the Partnership will engage in their management and operation.

Daon Development Corporation is the General Partner and Daon Properties Ltd., a wholly-owned subsidiary of Daon, is the Managing General Partner of the Partnership.

Daon Shopping Centres, Alberta offers investors an excellent investment opportunity in prime commercial real estate, which meets the following investment objectives:

- growth in income
- preservation of capital
- diversification of investment portfolio
- protection against inflation

## Availability

The structuring of Daon Shopping Centres, Alberta makes prime commercial real estate available to an investor in the following manner:

- Class A Limited Partnership Units may be subscribed for at \$125,000 each with a minimum subscription of four Class A Units (\$500,000).
- Additional Class A Units may be subscribed for at \$125,000 each.
- “Passive” investor participation is ensured as Daon Development Corporation will undertake the development of the shopping centres, including construction, leasing and arranging interim financing. On completion the shopping centres will be managed by Daon Management Ltd., a wholly-owned subsidiary of Daon Development Corporation.
- The investor’s liability is limited to the amount of the subscription price for the Class A Units. However, this limited liability will be lost by an investor who takes part in the control of the business.

## Subscription and Financing

The minimum subscription is four Class A Units (\$500,000). The subscription price is payable as to 25% (\$125,000) at the time of subscription and the balance either at the same time or, if a letter of credit in the required form is delivered, by instalments as follows:

- \$125,000 on April 30, 1981
- \$125,000 on October 31, 1981
- \$125,000 on April 30, 1982



Financing for a five-year term at a floating rate of interest has been arranged with a number of Canadian chartered banks. This financing is available to qualified investors for 75% to 100% of the amount invested.

### **Income and Capital Protection**

In all investments an investor is subject to a variety of income and capital risks. An investment in Daon Shopping Centres, Alberta provides protection from business, financial and inflation risks in the following manner:

- The investors are entitled to a minimum return during the first 15 years in priority to the holders of Class B or Class C Units, and a minimum distribution which is assured by Daon.
- In the event of the sale of a shopping centre, the investors will be entitled to a minimum distribution in priority to any distribution to the holders of Class B or Class C Units.
- Because the rents payable by many tenants is based upon a percentage of sales, rental income increases both from the success of the centre and from inflation.

### **Investment Return**

As a result of the percentage rent factor in many of the leases, income from operation of a shopping centre will increase with the market impact of the centre as well as economic and population growth of the trade area. This will have a significant effect on the investor's return on investment.

Inherent in most equity investments is the objective to achieve a substantially greater overall yield through capital appreciation. This is true in the case of most real estate investments and Daon Shopping Centres, Alberta is no exception.

Generally, the extent of capital appreciation depends on a number of factors, the major ones being location, construction quality, tenant profile and regional economic growth. Daon Shopping Centres, Alberta rates highly in each of these factors and; as a result, has an excellent potential for above average capital appreciation.

### **Liquidity**

Although Class A Units in Daon Shopping Centres, Alberta are intended as mid- to long-term investments, some investors may wish to dispose of part or all of their holdings at some time in the future. It should be noted, however, that there is no market for the Units at the present time.

If, by September 30, 1983, the shopping centres are not open to the public and the major tenants are not liable to pay rent, Daon will repurchase each Class A Unit offered to it between September 30 and October 31, 1983.

In summary, investment in Daon Shopping Centres, Alberta provides an investor with the type of income and capital protection normally found in fixed rate, restricted yield securities. At the same time, it also provides the capital appreciation potential and inflation protection normally found in equity investment in real assets.

## *Investment Summary*

Issuer:

Daon Shopping Centres, Alberta

Offering:

1,420 Class A Limited Partnership Units at \$125,000 per Unit.

Minimum Subscription:

Four Class A Units (\$500,000); additional Class A Units may be subscribed for at \$125,000 each.

Interest of Partners Holding Class A Units (after certain prior allocations):

— 63.96%

Assured Return:

(Before debt service on long-term debt)

1982-1983: 8.57% per annum;

1984-1991: 9% per annum;

1992-1996: 15% per annum.



# Heritage Mall

Now under construction on a 46.5-acre site at the intersection of 23rd Avenue and 111th Street in Edmonton, Heritage Mall is scheduled to open in the fall of 1981. The gross area of the two levels is 914,500 square feet, with 779,000 square feet of rentable shopping centre space,

making it the largest of the three shopping centres.

Enhanced by an abundance of natural light through the skylights, the landscaped public areas will provide a pleasant atmosphere and the openness of the two levels will make it especially easy for

shoppers to identify the mall's retail merchants. The parking areas, with access to both shopping levels, will accommodate some 3,900 cars.

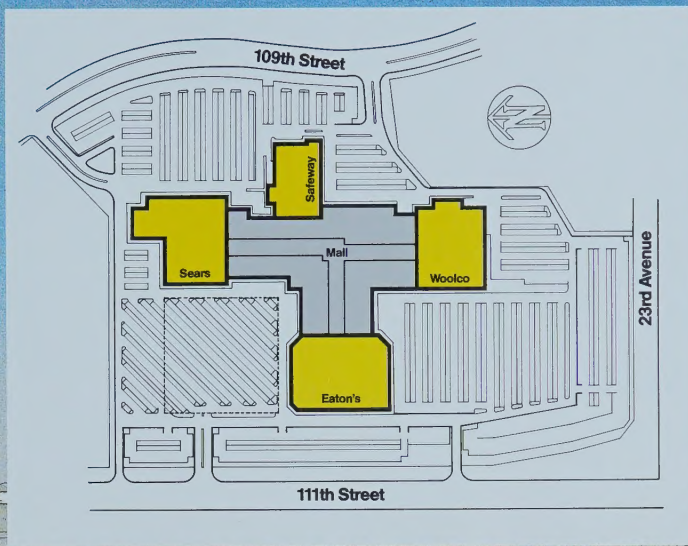
Heritage Mall will be anchored by an Eaton's department store of 164,400 square feet, a Sears store of 152,300 square





feet, a Woolco store of 142,600 square feet, and a Safeway supermarket of 47,800 square feet. An additional 271,900 square feet will be available for a further 150 retail tenants.

At the intersection of two major arterials of southern Edmonton, Heritage Mall is ideally located to serve the existing





While Edmonton currently has four regional shopping centres, three are located in the northern part of the city and only one in the southern section. As the population of





this area of Edmonton is expected to grow by 29% during the period 1980-1986, the need for Heritage Mall is apparent.

Due to the centre's size and its three complementary anchor tenants, Heritage Mall will be the dominant shopping centre in south Edmonton for many years to come.



# Bower Place

Red Deer's first regional shopping centre with two full-line department stores, Bower Place is scheduled to open in the spring of 1981. This centre will have a building area of 500,000 square feet with 435,000 square feet of rentable shopping centre space. The parking areas, which have

been designed to provide easy access to all parts of the mall, will accommodate 2,400 cars.

Bower Place features a unique design, with its peaked roof extending the entire length of the mall. Its interior will be characterized by wood finishes, a continuous

skylight, a two-level garden court and extensive landscaping, giving it a street-like environment.

The Centre will be anchored by a two-level Eaton's department store of 122,500 square feet, a Woodward's department store of 111,500 square feet and a



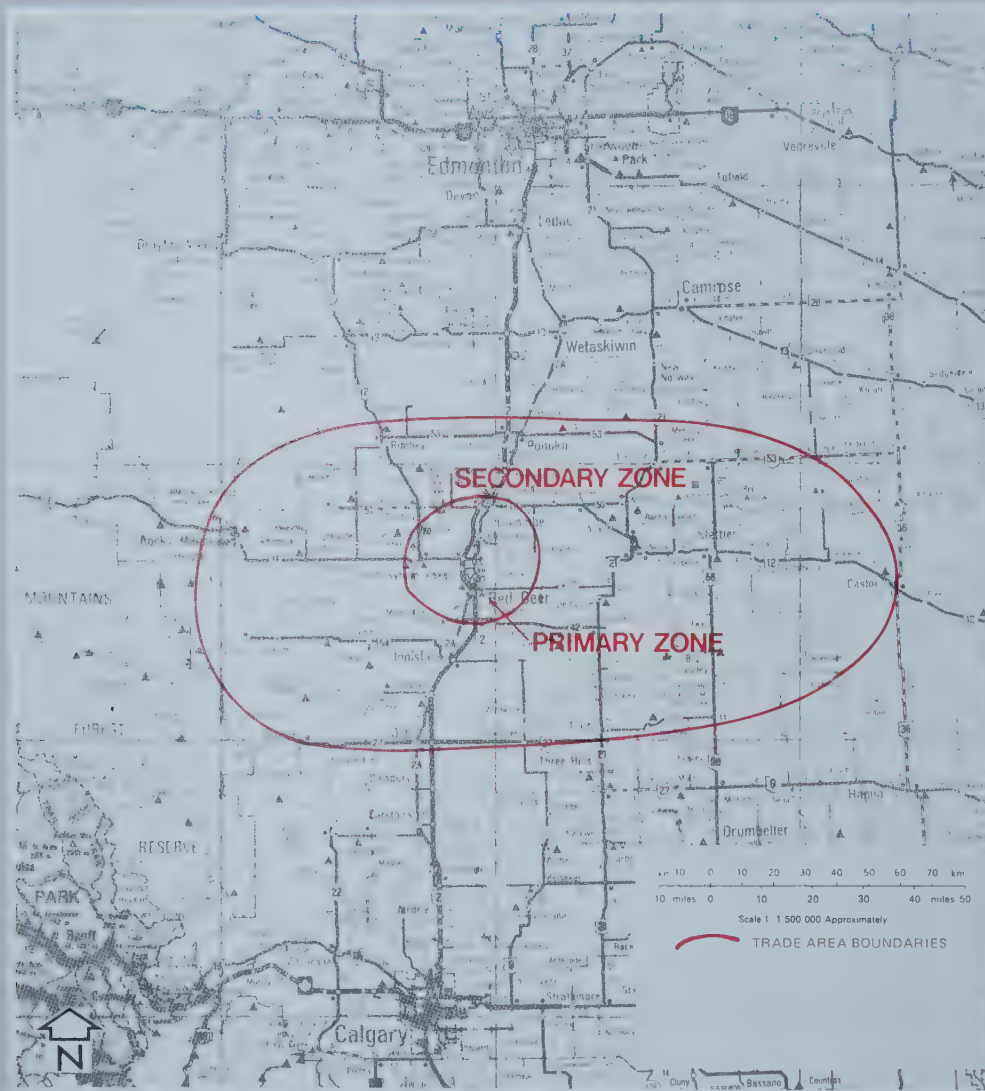


Woodward's food floor of 40,300 square feet. A mix of 85 additional retail and service tenants will occupy the remaining 160,700 square feet.

Located on Highway 2A, the north-south axis of Red Deer, in the rapidly growing southern portion of the city, Bower



## Bower Place Shopping Centre Trade Area



Place will be easily accessible to all the residents in the primary and secondary trading areas.

At the present time, Red Deer has only one regional shopping centre, located in the northern portion of the city. The development of Bower Place in the south will create a balanced suburban retail structure in the city for both the residents of Red Deer and of the rural communities around it.

The trade area extends in all directions from the city to a limit of 35 to 55





miles. The trade area population has grown from 98,802 in 1966 to 130,300 in 1980 and will reach 154,000 by the end of 1986. The growth will continue to be

concentrated in Red Deer and the immediate vicinity.

With its easy accessibility, two major department stores and a good mix of ancillary tenants, Bower Place will become the dominant shopping centre in the Red Deer area.





# *Sunridge Mall*

Sunridge Mall is being developed on a 46-acre site at the intersection of 36th Street N.E. and Sunridge Boulevard N.E. in northeast Calgary. Scheduled to open in the fall of 1981, the centre will consist of a two-level mall of 791,500 square feet with leasable space of 645,500 square feet.

Sunridge Mall will be anchored by an Eaton's department store of 165,300

square feet, a Woodward's department store of 187,700 square feet (including a Woodward's bargain store) and a Woodward's food floor of 45,300 square feet. The two-level mall will offer an additional 247,200 square feet of retail space for over 130 retail and service tenants.

The adjacent 17-acre site (also owned by the Partnership) will accommodate

a third major department store and additional retail space of over 50,000 square feet. Future plans call for this expansion to be developed five to seven years after the initial opening of the centre.

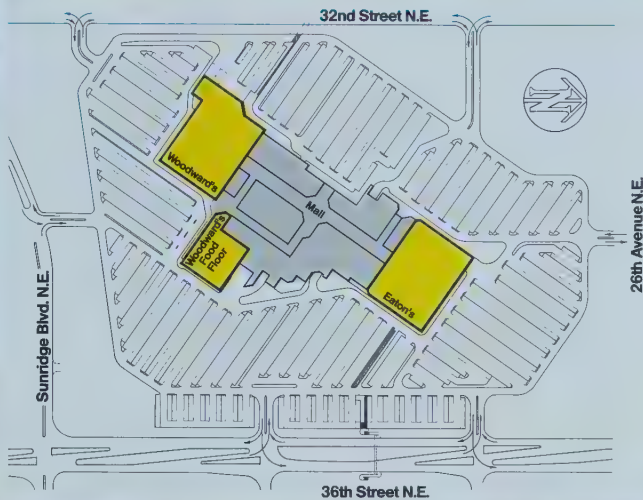
An open-air design concept, extensive landscaping and natural light through continuous skylights will provide a bright and comfortable shopping



environment.

The parking areas, which have been designed to allow easy access to both levels of the mall, will accommodate 3,900 cars.

Calgary's population has grown from 330,000 in 1966 to 560,000 in 1980. The annual growth rate has increased to 25,000 persons per year and there are indications that growth will continue at this





## Sunridge Mall Trade Area



rate or better in the years to come.

Strategically located in the city's fast growing northeast section, Sunridge Mall will be easily accessible from all the major arterials of the area and will be able to meet the region's strong anticipated growth.

The combination of Eaton's and Woodward's as anchor tenants should assure the dominance and viability of Sunridge Mall in a rapidly growing sector of the Calgary market.





# *Economic Environment*

The economy of Alberta is unquestionably the strongest in Canada. Moreover, its economic future appears secure for many decades to come.

Superimposed on Alberta's historic economic base — agriculture — have come phenomenal discoveries over a broad energy spectrum. Conventional crude oil, the tarsands, heavy oil, natural gas, coal and hydro-electric power have made the province's economy unique.

Wealth, particularly wealth that flows from the capture and marketing of natural resources, attracts and holds an energetic, productive population.

Two elements are crucial to the success of a regional shopping centre — the general economic environment of the region and the nature and number of people within easy access.

Each of the three locations chosen by Daon meets all of the obvious and conventional criteria, but each also has its own special quality.

EDMONTON'S booming industrial economy tends to overshadow the very substantial government and educational sectors. As capital of Alberta, it has an assured work force of more than 22,000, many in highly paid senior positions, in addition to some 24,000 city employees and a further 9,000 employed by the federal government.

Edmonton is justifiably referred to as the Gateway to the North. Traditionally a transportation and distribution centre, it was strategically located to become the principal supply and service base for northern Alberta, northeast B.C., northwest Saskatchewan and now the Yukon and Alaska. The southern part of Edmonton is experiencing rapid growth and is under-serviced in terms of regional shopping centres. Heritage Mall will serve the existing population and residents of future subdivisions, as well as the large rural population south of the city.

THE CITY OF RED DEER has recently emerged from the shadows of Edmonton and Calgary to become economically viable in its own right. In addition to being a key agricultural, service and distribution centre for central Alberta, it has been experiencing substantial industrial and governmental growth in the past five years.

The population of Red Deer has grown from 30,000 to 40,000 since 1971 and this trend is expected to continue.

Currently, Red Deer has only one regional shopping centre, located in the northern portion of the city. The development of Bower Place with two full-line department stores in the south will create a balanced suburban retail structure for both the residents of Red Deer and the rural communities around it.



CALGARY'S economic present and future defy overstatement. The city is a major world centre for technical, financial and management services in energy resource exploration, development and marketing.

Although Calgary's economy is based on the oil and gas industry to a very large degree, other industrial activities have added to its growth. Construction and construction services comprise a major industry. Agriculture also remains an important contributor to its economy.

Sunridge Mall, anchored by an Eaton's and a Woodward's department store, will be a dominant retail force in the rapidly growing northeast sector of Calgary.

# After Tax Cash Flow

Components of income of the three Alberta shopping centres:

- 1) Department store rentals
- 2) Mall retail store base rentals
- 3) Mall retail store percentage rentals

Income growth is determined by:

- 1) Inflation
- 2) Market growth
- 3) Market penetration
- 4) Real income growth (constant dollars)

Projected income growth is based on:

- 1) Mall retail store base rentals escalated at lease renewal periods by 8% compounded annually
- 2) Percentage rentals escalated by index of:
  - a) Annual Inflation of 8%
  - b) Annual real income growth of 1%
  - c) Market penetration in the two initial years of 5% and 3% respectively
  - d) Population growth projections in trade areas of each centre provided by independent market research firms

Based on these factors, after accounting for operating expenses and recoveries, combined income of the three shopping centres is estimated to grow:

| 1982                        | 1992         | 1997         |
|-----------------------------|--------------|--------------|
| (First full operating year) |              |              |
| \$23,203,000                | \$43,720,000 | \$66,772,000 |

The before tax internal rate of return to an investor in Daon Shopping Centres, Alberta, taking into account the residual share attributable to Class A Unit holders based on sale at the end of 1996 at capitalization rate of 8.5%, is 15%.

With the tax consequences of 1980 and 1981, and allowable capital cost deductions throughout, the after tax internal rate of return to an investor in a 50% tax bracket over 1980-1997 is approximately 11.4%. To generate the equivalent rate of return, the investor would have to seek out a bond yielding 22.8%.

The investor in a 62% tax bracket will have an after tax internal rate of return of approximately 10.4%, equivalent to a bond rate of 27.3%.

With his \$500,000 investment 100% financed at 14% the investor in a 50% tax bracket will have the following after-tax cash flow:

|  | 1980               | '81             | '82           | '83           |
|--|--------------------|-----------------|---------------|---------------|
| Initial Investment                               | \$125,000          | 250,000         | 125,000       | —             |
| *Distributable Net Income                        | \$ —               | 19,640          | 39,279        | 43,239        |
| Development Expenses deductible for tax purposes | <u>\$ (51,256)</u> | <u>(52,958)</u> | <u>—</u>      | <u>—</u>      |
| **Loss (Income) for Tax Purposes                 | \$ 51,256          | 33,318          | (28,543)      | (33,039)      |
| Interest (on financing)                          | <u>\$ —</u>        | <u>32,082</u>   | <u>64,167</u> | <u>70,000</u> |
| Loss for Tax Purposes (Income)                   | <u>\$ 51,256</u>   | <u>65,400</u>   | <u>35,624</u> | <u>36,961</u> |

\*In years 1981 and 1982, the distributable net income is based upon payment of the subscription price for Class A Units in instalments.

\*\*Loss (Income) for tax purposes has been calculated after claiming maximum available capital cost allowances. No such claim has been made for 1981.

|                    |                  |                 |                 |                 |
|--------------------|------------------|-----------------|-----------------|-----------------|
| Tax Benefit (cost) | \$ 25,628        | 32,700          | 17,812          | 18,481          |
| Net Income         | \$ —             | 19,640          | 39,279          | 43,239          |
| Finance Costs      | <u>\$ —</u>      | <u>(32,082)</u> | <u>(64,167)</u> | <u>(70,000)</u> |
| Cash Flow          | <u>\$ 25,628</u> | <u>20,258</u>   | <u>(7,076)</u>  | <u>(8,280)</u>  |



| '84      | '85      | '86      | '87      | '88      | '89      | '90      | '91      | '92      | '93      | '94      | '95      | '96       | '97       |
|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|
| —        | —        | —        | —        | —        | —        | —        | —        | —        | —        | —        | —        | —         | —         |
| 45,000   | 45,969   | 47,997   | 51,304   | 54,885   | 59,205   | 63,837   | 69,262   | 80,507   | 85,473   | 91,930   | 99,552   | 108,307   | 122,955   |
| —        | —        | —        | —        | —        | —        | —        | —        | —        | —        | —        | —        | —         | —         |
| (35,310) | (36,764) | (39,252) | (42,996) | (46,993) | (51,527) | (56,715) | (62,495) | (74,079) | (79,366) | (86,128) | (94,041) | (103,071) | (117,981) |
| 70,000   | 70,000   | 70,000   | 70,000   | 70,000   | 70,000   | 70,000   | 70,000   | 70,000   | 70,000   | 70,000   | 70,000   | 70,000    | 70,000    |
| 34,690   | 33,236   | 30,748   | 27,004   | 23,007   | 18,473   | 13,285   | 7,505    | (4,079)  | (9,366)  | (16,128) | (24,041) | (33,071)  | (47,981)  |
| 17,345   | 16,618   | 15,374   | 13,502   | 11,504   | 9,237    | 6,643    | 3,753    | (2,040)  | (4,683)  | (8,064)  | (12,021) | (16,536)  | (23,991)  |
| 45,000   | 45,969   | 47,997   | 51,304   | 54,885   | 59,025   | 63,837   | 69,262   | 80,507   | 85,473   | 91,930   | 99,552   | 108,307   | 122,955   |
| (70,000) | (70,000) | (70,000) | (70,000) | (70,000) | (70,000) | (70,000) | (70,000) | (70,000) | (70,000) | (70,000) | (70,000) | (70,000)  | (70,000)  |
| (7,655)  | (7,413)  | (6,629)  | (5,194)  | (3,611)  | (1,738)  | 480      | 3,015    | 8,467    | 10,790   | 13,866   | 17,531   | 21,771    | 28,964    |

With his \$500,000 investment 100% financed at 14% the investor in a 62% tax bracket will have the following after-tax cash flow:

|  | 1980               | '81             | '82           | '83           |
|--|--------------------|-----------------|---------------|---------------|
| Initial Investment                               | \$125,000          | 250,000         | 125,000       | —             |
| *Distributable Net Income                        | \$ —               | 19,640          | 39,279        | 43,239        |
| Development Expenses deductible for tax purposes | <u>\$ (51,256)</u> | <u>(52,958)</u> | <u>—</u>      | <u>—</u>      |
| **Loss (Income) for Tax Purposes                 | \$ 51,256          | 33,318          | (28,543)      | (33,039)      |
| Interest (on financing)                          | <u>\$ —</u>        | <u>32,082</u>   | <u>64,167</u> | <u>70,000</u> |
| Loss for Tax Purposes (Income)                   | <u>\$ 51,256</u>   | <u>65,400</u>   | <u>35,624</u> | <u>36,961</u> |

\*In years 1981 and 1982, the distributable net income is based upon payment of the subscription price for Class A Units in instalments.

\*\*Loss (Income) for tax purposes has been calculated after claiming maximum available capital cost allowances. No such claim has been made for 1981.

|                    |                  |                 |                 |                 |
|--------------------|------------------|-----------------|-----------------|-----------------|
| Tax Benefit (cost) | \$ 31,779        | 40,548          | 22,087          | 22,916          |
| Net Income         | \$ —             | 19,640          | 39,279          | 43,239          |
| Finance Costs      | <u>\$ —</u>      | <u>(32,082)</u> | <u>(64,167)</u> | <u>(70,000)</u> |
| Cash Flow          | <u>\$ 31,779</u> | <u>28,106</u>   | <u>(2,801)</u>  | <u>(3,845)</u>  |



| '84      | '85      | '86      | '87      | '88      | '89      | '90      | '91      | '92      | '93      | '94      | '95      | '96       | '97       |
|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|
| —        | —        | —        | —        | —        | —        | —        | —        | —        | —        | —        | —        | —         | —         |
| 45,000   | 45,969   | 47,997   | 51,304   | 54,885   | 59,205   | 63,837   | 69,262   | 80,507   | 85,473   | 91,930   | 99,552   | 108,307   | 122,955   |
| —        | —        | —        | —        | —        | —        | —        | —        | —        | —        | —        | —        | —         | —         |
| (35,310) | (36,764) | (39,252) | (42,996) | (46,993) | (51,527) | (56,715) | (62,495) | (74,079) | (79,366) | (86,128) | (94,041) | (103,071) | (117,981) |
| 70,000   | 70,000   | 70,000   | 70,000   | 70,000   | 70,000   | 70,000   | 70,000   | 70,000   | 70,000   | 70,000   | 70,000   | 70,000    | 70,000    |
| 34,690   | 33,236   | 30,748   | 27,004   | 23,007   | 18,473   | 13,285   | 7,505    | (4,079)  | (9,366)  | (16,128) | (24,041) | (33,071)  | (47,981)  |
| 21,508   | 20,606   | 19,064   | 16,742   | 14,264   | 11,453   | 8,237    | 4,653    | (2,529)  | (5,807)  | (9,999)  | (14,905) | (20,504)  | (29,748)  |
| 45,000   | 45,969   | 47,997   | 51,304   | 54,885   | 59,025   | 63,837   | 69,262   | 80,507   | 85,473   | 91,930   | 99,552   | 108,307   | 122,955   |
| (70,000) | (70,000) | (70,000) | (70,000) | (70,000) | (70,000) | (70,000) | (70,000) | (70,000) | (70,000) | (70,000) | (70,000) | (70,000)  | (70,000)  |
| (3,492)  | (3,425)  | (2,939)  | (1,954)  | (851)    | 478      | 2,074    | 3,915    | 7,978    | 9,666    | 11,931   | 14,647   | 17,803    | 23,207    |

With his \$500,000 investment 75% financed at 14% the investor in a 50% tax bracket will have the following after-tax cash flow:

|  | 1980               | '81             | '82           | '83           |
|--|--------------------|-----------------|---------------|---------------|
| Initial Investment                               | \$125,000          | 250,000         | 125,000       | —             |
| *Distributable Net Income                        | —                  | 19,640          | 39,279        | 43,239        |
| Development Expenses deductible for tax purposes | <u>\$ (51,256)</u> | <u>(52,958)</u> | <u>—</u>      | <u>—</u>      |
| **Loss (Income) for Tax Purposes                 | \$ 51,256          | 33,318          | (28,543)      | (33,039)      |
| Interest (on financing)                          | <u>\$ —</u>        | <u>14,582</u>   | <u>46,666</u> | <u>52,500</u> |
| Loss for Tax Purposes (Income)                   | <u>\$ 51,256</u>   | <u>47,900</u>   | <u>18,123</u> | <u>19,461</u> |

\*In years 1981 and 1982, the distributable net income is based upon payment of the subscription price for Class A Units in instalments.

\*\*Loss (Income) for tax purposes has been calculated after claiming maximum available capital cost allowances. No such claim has been made for 1981.

|                    |                  |                 |                 |                 |
|--------------------|------------------|-----------------|-----------------|-----------------|
| Tax Benefit (cost) | \$ 25,628        | 23,950          | 9,061           | 9,730           |
| Net Income         | \$ —             | 19,640          | 39,279          | 43,239          |
| Finance Costs      | <u>\$ —</u>      | <u>(14,582)</u> | <u>(46,666)</u> | <u>(52,500)</u> |
| Cash Flow          | <u>\$ 25,628</u> | <u>29,008</u>   | <u>1,674</u>    | <u>469</u>      |



| '84     | '85      | '86      | '87      | '88      | '89      | '90      | '91      | '92      | '93      | '94      | '95      | '96       | '97       |
|---------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|
| —       | —        | —        | —        | —        | —        | —        | —        | —        | —        | —        | —        | —         | —         |
| 45,000  | 45,969   | 47,997   | 51,304   | 54,885   | 59,025   | 63,837   | 69,262   | 80,507   | 85,473   | 91,930   | 99,552   | 108,307   | 122,955   |
| —       | —        | —        | —        | —        | —        | —        | —        | —        | —        | —        | —        | —         | —         |
| 85,310) | (36,764) | (39,252) | (42,996) | (46,993) | (51,527) | (56,715) | (62,495) | (74,079) | (79,366) | (86,128) | (94,041) | (103,071) | (117,981) |
| 52,500  | 52,500   | 52,500   | 52,500   | 52,500   | 52,500   | 52,500   | 52,500   | 52,500   | 52,500   | 52,500   | 52,500   | 52,500    | 52,500    |
| 17,190  | 15,736   | 13,248   | 9,504    | 5,507    | 973      | (4,215)  | (9,995)  | (21,579) | (26,866) | (33,628) | (41,541) | (50,571)  | (65,481)  |
| 8,595   | 7,868    | 6,624    | 4,752    | 2,753    | 486      | (2,107)  | (4,997)  | (10,789) | (13,433) | (16,814) | (20,770) | (25,285)  | (32,740)  |
| 45,000  | 45,969   | 47,997   | 51,304   | 54,885   | 59,025   | 63,837   | 69,262   | 80,507   | 85,473   | 91,930   | 99,552   | 108,307   | 122,955   |
| 52,500) | (52,500) | (52,500) | (52,500) | (52,500) | (52,500) | (52,500) | (52,500) | (52,500) | (52,500) | (52,500) | (52,500) | (52,500)  | (52,500)  |
| 1,095   | 1,337    | 2,121    | 3,556    | 5,138    | 7,011    | 9,230    | 11,765   | 17,218   | 19,540   | 22,616   | 26,282   | 30,522    | 37,715    |

With his \$500,000 investment 75% financed at 14% the investor in a 62% tax bracket will have the following after-tax cash flow:

|  | 1980             | '81             | '82             | '83             |
|--|------------------|-----------------|-----------------|-----------------|
| Initial Investment                               | \$125,000        | 250,000         | 125,000         | —               |
| *Distributable Net Income                        | —                | 19,640          | 39,279          | 43,239          |
| Development Expenses deductible for tax purposes | <u>\$ 51,256</u> | <u>(52,958)</u> | <u>—</u>        | <u>—</u>        |
| **Loss (Income) for Tax Purposes                 | <u>\$ 51,256</u> | <u>33,318</u>   | <u>28,543</u>   | <u>33,089</u>   |
| Interest on financing                            | <u>\$ —</u>      | <u>(14,582)</u> | <u>(46,666)</u> | <u>(52,500)</u> |
| Loss for Tax Purposes (Income)                   | <u>\$ 51,256</u> | <u>47,900</u>   | <u>18,123</u>   | <u>19,461</u>   |

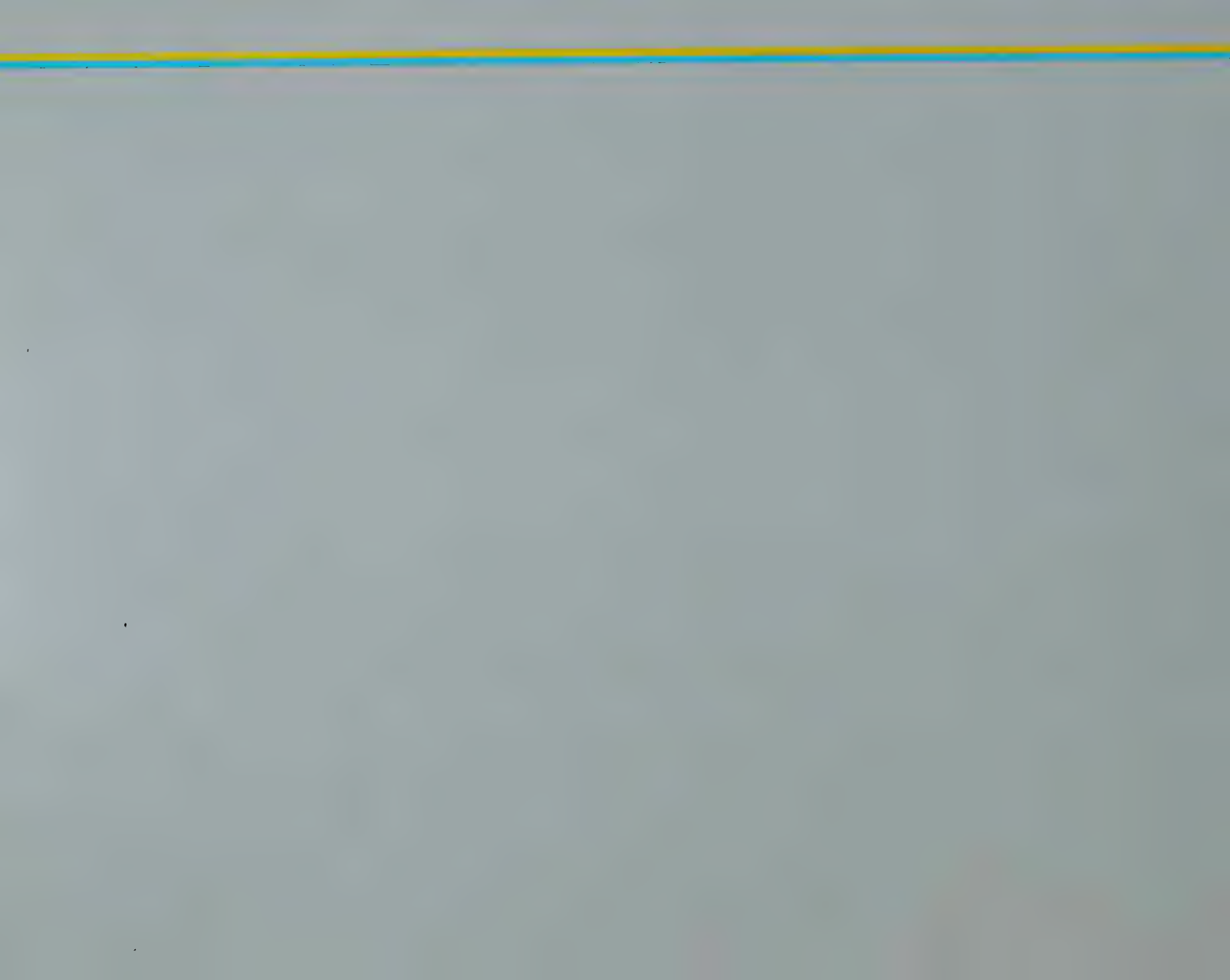
\*In years 1980 and 1981 the distributable net income is based upon payment of the subscription price for Class A Units of investment.

\*\*Loss (Income) for tax purposes has been calculated after claiming maximum available capital cost allowances. No recoupment has been made for 1980.

|                    |                  |                 |                 |                 |
|--------------------|------------------|-----------------|-----------------|-----------------|
| Tax Benefit (cost) | <u>\$ 31,779</u> | <u>29,698</u>   | <u>11,236</u>   | <u>12,066</u>   |
| Net Income         | <u>\$ —</u>      | <u>19,640</u>   | <u>39,279</u>   | <u>43,239</u>   |
| Finance Costs      | <u>\$ —</u>      | <u>(14,582)</u> | <u>(46,666)</u> | <u>(52,500)</u> |
| Cash Flow          | <u>\$ 31,779</u> | <u>\$4,756</u>  | <u>\$3,849</u>  | <u>2,805</u>    |



| '84     | '85      | '86      | '87      | '88      | '89      | '90      | '91      | '92      | '93      | '94      | '95      | '96       | '97       |
|---------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|
| —       | —        | —        | —        | —        | —        | —        | —        | —        | —        | —        | —        | —         | —         |
| 45,000  | 45,969   | 47,997   | 51,304   | 54,885   | 59,025   | 63,837   | 69,262   | 80,507   | 85,473   | 91,930   | 99,552   | 108,307   | 122,955   |
| —       | —        | —        | —        | —        | —        | —        | —        | —        | —        | —        | —        | —         | —         |
| 35,310) | (36,764) | (39,252) | (42,996) | (46,993) | (51,527) | (56,715) | (62,495) | (74,079) | (79,366) | (86,128) | (94,041) | (103,071) | (117,981) |
| 52,500  | 52,500   | 52,500   | 52,500   | 52,500   | 52,500   | 52,500   | 52,500   | 52,500   | 52,500   | 52,500   | 52,500   | 52,500    | 52,500    |
| 17,190  | 15,736   | 13,248   | 9,504    | 5,507    | 973      | (4,215)  | (9,995)  | (21,579) | (26,866) | (33,628) | (41,541) | (50,571)  | (65,481)  |
| 10,658  | 9,756    | 8,214    | 5,892    | 3,414    | 603      | (2,613)  | (6,197)  | (13,379) | (16,657) | (20,849) | (25,755) | (31,354)  | (40,598)  |
| 45,000  | 45,969   | 47,997   | 51,304   | 54,885   | 59,025   | 63,837   | 69,262   | 80,507   | 85,473   | 91,930   | 99,552   | 108,307   | 122,955   |
| 52,500) | (52,500) | (52,500) | (52,500) | (52,500) | (52,500) | (52,500) | (52,500) | (52,500) | (52,500) | (52,500) | (52,500) | (52,500)  | (52,500)  |
| 3,158   | 3,225    | 3,711    | 4,696    | 5,799    | 7,128    | 8,724    | 10,565   | 14,628   | 16,316   | 18,581   | 21,297   | 24,453    | 29,857    |





## New Issue

## Offering Memorandum

This Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus or an advertisement for a public offering of the securities described herein in any jurisdiction where they may not be lawfully offered for sale.

No securities commission or similar authority in Canada has in any way passed upon the merits of the securities described herein and any representation to the contrary is an offence.

This Offering Memorandum has not been filed with, or reviewed by, any securities commission or similar authority.

## DAON SHOPPING CENTRES, ALBERTA

(a limited partnership formed under the laws of the Province of Alberta)

**\$177,500,000**

### Offering of 1,420 Class A Limited Partnership Units at \$125,000 per Class A Unit

This is an offering of 1,420 Class A Limited Partnership Units (the "Class A Units") in Daon Shopping Centres, Alberta (the "Partnership"), a limited partnership formed under the laws of the Province of Alberta. Daon Development Corporation ("Daon") will hold 750 Class B Limited Partnership Units (the "Class B Units") and 50 Class C Limited Partnership Units (the "Class C Units") in the Partnership.

The Partnership is engaged in the development, construction and leasing of three regional shopping centres (the "Shopping Centres") located in Edmonton, Red Deer and Calgary, Alberta and, following completion thereof, will engage in the management and operation thereof. Daon is the General Partner and Daon Properties Ltd. (a wholly-owned subsidiary of Daon) is the Managing General Partner of the Partnership.

Daon will assure that the amount distributed to a Partner holding Class A Units will not be less than 8.57% per annum of the Adjusted Subscription Price per Class A Unit for each fiscal period ending on or before December 31, 1983, 9% per annum of the Adjusted Subscription Price per Class A Unit for each fiscal period ending after December 31, 1983 and on or before December 31, 1991 and 15% per annum of the Adjusted Subscription Price per Class A Unit for each fiscal period ending after December 31, 1991 and on or before December 31, 1996, less, in each such period, Debt Service for such period per Class A Unit. The foregoing assurance is in respect of each such fiscal period and is not cumulative.

This offering is made on the basis that the Shopping Centres will be unencumbered by long term financing and no amount of Debt Service is contemplated at this time.

#### MINIMUM SUBSCRIPTION: 4 CLASS A UNITS (\$500,000)

|                               | Price         | Agents' Minimum<br>Commission(1)(2) | Proceeds after<br>payment of Agents'<br>Minimum<br>Commission<br>(3)(4)(5) |
|-------------------------------|---------------|-------------------------------------|--|
| Per Class A Unit.....         | \$ 125,000    | \$ 3,750                            | \$ 121,250   |
| Minimum Subscription(6) ..... | \$ 500,000    | \$ 15,000                           | \$ 485,000   |
| Total .....                   | \$177,500,000 | \$5,325,000                         | \$172,175,000  |

- (1) The Agents' commission will be paid by the Partnership.
- (2) The amount of the Agents' commission will be increased by \$625 per Class A Unit for each Class A Unit sold by any Agent in excess of 160 Class A Units (\$20,000,000) and by a further \$625 per Class A Unit for each Class A Unit in excess of 240 Class A Units (\$30,000,000) sold by such Agent. The increased commission is estimated to total \$250,000.
- (3) Before deducting expenses of this offering, estimated at \$725,000, payable by the Partnership.
- (4) Subscriptions will be deposited with National Trust Company, Limited (the "Custodian"). If subscriptions for Class A Units in the aggregate amount of \$177,500,000 are not received by December 1, 1980 (or such other date, to which such date may be extended by the General Partner by written notice to the Custodian and to persons who have then subscribed for Class A Units, but not later than December 21, 1980) all subscriptions will be returned to the subscribers with interest as paid by the Custodian. See "Plan of Distribution".
- (5) Daon may subscribe for up to 800 Class A Units. In addition, certain directors, officers and employees of Daon may subscribe for Class A Units. On Class A Units purchased by Daon and by such directors, officers or employees, \$3,750 per Class A Unit (being the commission payable on each Class A Unit) will be repaid to Daon.
- (6) Additional Class A Units may be subscribed for at \$125,000 per Class A Unit.

The Subscription Price for each Class A Unit is payable, (i) by the delivery, at the time of subscription, of a letter of credit (the "letter of credit") in the required form issued by a Canadian chartered bank in the amount of such Subscription Price, (ii) by the payment of 25% thereof at the time of subscription and the balance thereof, by delivery of a letter of credit at such time or (iii) by payment of the full amount thereof at the time of subscription.

Daon will purchase each Class A Unit offered to it after September 30, 1983 and on or before 5:00 p.m. (Vancouver time) October 31, 1983 at the Net Adjusted Subscription Price per Class A Unit if, by September 30, 1983, the Shopping Centres are not open to the public and Major Tenants are not paying or liable to pay rent. If more than 90% of all Class A Units are offered to Daon, then the remaining Class A Units will be deemed to have been offered to Daon and will be acquired by Daon.

**The Class A Units are considered to be speculative.** The Subscription Price for the Class A Units and the value of the Shopping Centres were established by Daon on the basis of independent appraisals. There is no market for Class A Units and Class A Units are not suitable for investors who may need to liquidate their investment on a timely basis. Letter agreements have been signed with Major Tenants and although no binding leases have been signed by mall retail store tenants, expressions of interest have been received. The Shopping Centres are now under construction. Investors will be relying upon the judgment, experience and financial ability of Daon to construct, complete, lease, open for business and operate the Shopping Centres. Partners holding Class A Units are not entitled to take part in the control of the business of the Partnership. The Managing General Partner is permitted, subject to certain limitations, to obtain long term financing for, to sell and to expand the Shopping Centres. The taking of any such action by the Managing General Partner may affect the net income of the Partnership and the amounts allocated and distributed to Partners holding Class A Units. Cash is distributed after Debt Service. Because Debt Service includes principal payments on long term financing, when long term financing is obtained, the amount of cash received by a Partner may be less than the amount of income allocated to such Partner. **Investment in the Class A Units may only be made by investors who are able to satisfy certain requirements of net worth or taxable income, who are purchasing as principals for investment purposes and not for resale and who, by virtue of their investment experience or consultation with or advice from dealers or others, are in a position to evaluate the prospective investment on the basis of this Offering Memorandum and such other information as is presented to them. Under certain circumstances, the protection of limited liability may be lost. See "Risk Factors".**

The General Partner, itself or through persons registered for trading in securities or permitted by law to offer the Class A Units for sale, conditionally offers the Class A Units for sale on a best efforts basis if, as and when subscriptions are accepted by the General Partner, subject to prior sale and approval of all legal matters on behalf of the General Partner by Shrum, Liddle & Heberton, Vancouver (who may rely upon the opinion of Field & Field, Edmonton with respect to matters governed by the laws of Alberta) and in accordance with the conditions described in the Escrow Agreement referred to under "Plan of Distribution".

Subscriptions will be received subject to acceptance in whole or in part by the General Partner and the General Partner reserves the right to close the subscription books at any time without notice. It is anticipated that certificates for the Class A Units will be available for delivery on or about December 23, 1980.

**In connection with the offering of Class A Units, the General Partner may obtain subscriptions for more than the number of Class A Units which are being offered hereby and, if so, subscriptions, if, as, and when accepted by the General Partner, will be accepted on a "first-come first-served" basis; see "Plan of Distribution".**

November 10, 1980

MACD. CAMPBELL  
Senior Vice-President  
and Chief Financial Officer

M



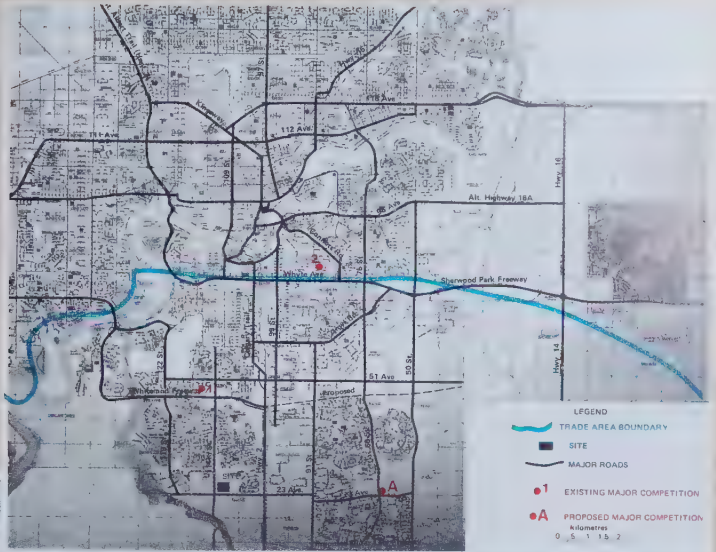
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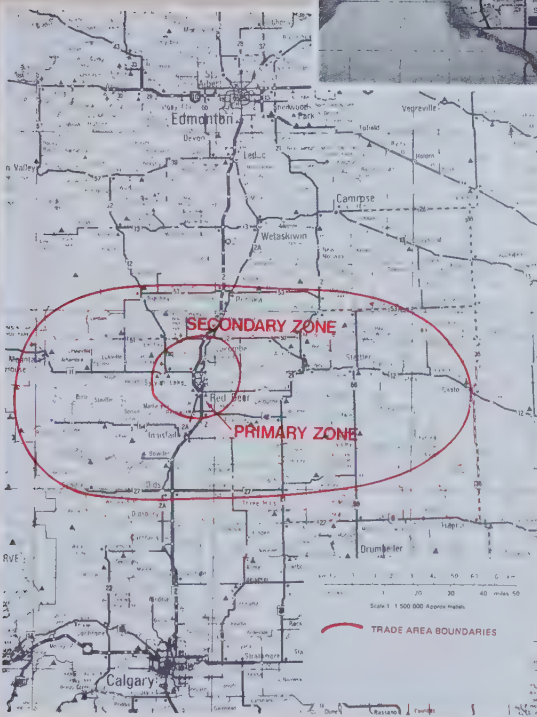




## Heritage Mall Trade Area



## Power Place Shopping Centre Trade Area



## Sun Ridge Mall Trade Area



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## OFFERING MEMORANDUM SUMMARY

The following is a selective summary of certain of the more detailed information set forth in this Offering Memorandum. A prospective investor should review carefully the entire contents of this Offering Memorandum and consult his professional advisors with respect to an investment in Class A Units.

### THE OFFERING

|                              |  |
|------------------------------|--|
| <b>Issuer:</b>               | Daon Shopping Centres, Alberta.  |
| <b>Offering:</b>             | 1,420 Class A Limited Partnership Units in Daon Shopping Centres, Alberta at \$125,000 per Class A Unit.   |
| <b>Amount of Offering:</b>   | \$177,500,000.   |
| <b>Minimum Subscription:</b> | 4 Class A Units (\$500,000); additional Class A Units may be subscribed for at \$125,000 each.   |
| <b>Units:</b>                | The interest of the Limited Partners (including Daon) is divided into and limited to 1,421 Class A Units, 750 Class B Units and 50 Class C Units; the number of Units may be increased if a Shopping Centre is Expanded. |

### THE SHOPPING CENTRES

**The Shopping Centres:** Three regional Shopping Centres now under construction in Edmonton, Red Deer and Calgary, Alberta:

| <u>Name</u>                          | <u>Location</u> | <u>Rentable<br/>Sq. Ft.</u> | <u>Major Tenants</u>                          | <u>Scheduled<br/>Opening</u> |
|--------------------------------------|-----------------|-----------------------------|---|------------------------------|
| Heritage Mall .....                  | Edmonton        | 779,000                     | Eaton's, Woolco, Sears,<br>Safeway            | August, 1981                 |
| Bower Place<br>Shopping Centre ..... | Red Deer        | 435,000                     | Eaton's, Woodward's<br>Woodward's Food Floor  | May, 1981                    |
| Sunridge Mall .....                  | Calgary         | 645,500                     | Eaton's, Woodward's,<br>Woodward's Food Floor | August, 1981                 |

**Developer:** Daon Shopping Centres, Alberta; Daon Development Corporation ("Daon") will contract with the Partnership to provide certain services, expertise, commitments and indemnities.

**Property Manager:** Daon Management Ltd. (a wholly-owned subsidiary of Daon).

**Daon Commitments and Services:** Daon will undertake to:

- cause the Shopping Centres to be constructed;
- provide all essential development services and expertise necessary for the development, construction, initial leasing and interim financing of the Shopping Centres;
- pay amounts by which Development Costs (including land costs) and Issue Expenses exceed \$177,625,000; if Development Costs are less than such amount, excess funds will form part of Refinancing Proceeds to be distributed to the Partners;
- arrange for all necessary interim financing;
- remedy deficiencies in construction of any Shopping Centre appearing within 2 years after substantial completion of such Shopping Centre.

Included in Development Costs is \$18,497,000 to be paid to Daon as fees for the services, expertise, commitments and indemnities to be provided by it. This will reimburse Daon for costs to be incurred by Daon in connection with the development of the Shopping Centres.

**Appraised Value:**

Daon has obtained independent appraisals of the value, at July 31, 1980, of each Shopping Centre (in the case of Sunridge Mall, exclusive of land held for expansion) as if each were, on such date, open to the public and leased on terms substantially the same as those described in this Offering Memorandum and were sold without regard to the attributes of the Class A Units, including the Cash Flow Assurance, the Prior Allocation, the restrictions upon the sale by Daon of Class B Units and Class C Units and upon Daon's voting rights, the costs of raising capital and the other attributes of this offering. Based upon such assumptions, the appraised value of each Shopping Centre, without regard to such matters, is as follows:

|   |                      |
|---|----------------------|
| Heritage Mall, Edmonton .....               | \$118,400,000        |
| Bower Place Shopping Centre, Red Deer ..... | 54,000,000           |
| Sunridge Mall, Calgary .....                | 98,800,000           |
| Total .....                                 | <u>\$271,200,000</u> |

The preceding total is the sum total of the individual properties. No assumption has been made with respect to a sale of all properties in a single transaction. The appraised value, at October 30, 1980, of the land held for expansion at Sunridge Mall is \$6,225,000.

**Cost of Development:**

The amount estimated by Daon as the total Development Costs and Issue Expenses to be incurred by the Partnership in the development, construction, initial leasing and interim financing of the Shopping Centres and by this offering is as follows:

|   |                      |
|---|----------------------|
| Development Costs   |                      |
| Heritage Mall, Edmonton .....                                   | \$ 70,916,000        |
| Bower Place Shopping Centre, Red Deer.....                      | 38,703,000           |
| Sunridge Mall, Calgary (excludes land held for expansion) ..... | 61,706,000           |
| Total Development Costs.....                                    | \$171,325,000        |
| Issue Expenses .....  | 6,300,000            |
| Total .....   | <u>\$177,625,000</u> |

The Partnership acquired the lands upon which the Shopping Centres are being constructed (in the case of Sunridge Mall, including land held for expansion) and other tangible and intangible property in connection therewith from Daon for \$136,055,000 of which \$36,055,000 is payable in cash and the balance is represented by the Class B Units and Class C Units held by Daon. The lands were assembled by Daon over a number of years beginning in 1972.

**INCOME TAX CONSIDERATIONS****Acquisition of Units:**

The acquisition of Class A Units will normally be the acquisition of capital property, resulting in a capital gain (loss) on disposition.

**Computation of Income:**

The Partnership, as such, is not subject to income tax. Income for tax purposes, including claims for capital cost allowances to the extent permitted, will be determined by the Partnership and net income for tax purposes will be allocated among the Partners. Claims for capital cost allowances will reduce income allocated to the Partners for tax purposes.



Cash distributed to the Partners holding Class A Units in excess of income of the Partnership for tax purposes is not included in income for tax purposes but reduces the cost base of the Class A Units.

**First Time Deductions:**

The deduction by the Partnership of certain expenses incurred by the Partnership in connection with the development, construction, initial leasing and interim financing of the Shopping Centres and in making this offering will result in a loss, 93.44% of which will be allocated to and deductible by Partners holding Class A Units in calculating their income for tax purposes. The amounts of such deductions, as estimated by Daon, for each minimum subscription of 4 Class A Units (\$500,000) are as follows:

|   | <u>For the years ended December 31,</u> |                 |
|---|---|-----------------|
|   | <u>1980</u>                             | <u>1981</u>     |
| Deductions per minimum subscription<br>(4 Class A Units; \$500,000) |   |                 |
| Projected net income .....  | \$ —                                    | \$24,791        |
| Estimated deductions .....  | <u>50,309</u>                           | <u>47,000</u>   |
| Net loss for tax purposes .....                                     | <u>\$50,309</u>                         | <u>\$22,209</u> |

The deductions of these amounts for income tax purposes by a Partner holding Class A Units will have a significant impact on the value of an investment in Class A Units.

**Advance income  
Tax Ruling:**

Daon has obtained an "advance income tax ruling" on behalf of the Partnership with respect to the allocation of income and losses from the Partnership among the Partners. The advance income tax ruling provides, in effect, that the method used to determine such allocation is acceptable to the Department of National Revenue.

**Other income  
Tax Considerations:**

Daon and the Partnership have elected pursuant to the Income Tax Act (Canada) that the cost of the lands upon which the Shopping Centres are being constructed (including land held for expansion at Sunridge Mall) and other tangible and intangible property acquired by the Partnership in connection therewith is as follows:

|                                   |                     |
|-----------------------------------|---------------------|
| Heritage Mall .....               | \$15,917,000        |
| Bower Place Shopping Centre ..... | 9,838,000           |
| Sunridge Mall .....               | <u>10,300,000</u>   |
| Total.....                        | <u>\$36,055,000</u> |

As a result of such election the "after tax return" to the Partners holding Class A Units will be less than it would have been if such election had not been made.

If a Shopping Centre is sold, income for tax purposes that would not have been realized by the Partnership if such election had not been made will be wholly allocated to Partners holding Class B Units and Class C Units (presently Daon) so that such Partners will be responsible to pay the tax on such income.

## THE LIMITED PARTNERSHIP

### General:

Daon Shopping Centres, Alberta is a limited partnership formed under the laws of the Province of Alberta with Daon as General Partner, Daon Properties Ltd. as Managing General Partner and holders of the Class A Units (which may include Daon) and Daon, as holder of the Class B Units and the Class C Units, as Limited Partners.

### Business:

The Partnership is engaged in the development, construction and leasing of the Shopping Centres and, following completion thereof, will engage in the management and operation thereof.

### Fiscal Period:

The fiscal period of the Partnership will end on December 31 each year.

### Allocation and Distribution of Distributable Net Income (and Net Loss):

Distributable Net Income will be allocated:

- (a) in respect of each fiscal period ending on or before December 31, 1996 (except for the period before the earlier of (i) the date the Shopping Centres are open to the public and Major Tenants (other than Eaton's in respect of Heritage Mall) are paying or liable to pay rent, and (ii) October 31, 1983,) as follows:

- (i) firstly, to Partners holding Class A Units, the Prior Allocation in respect of such fiscal period;

- (ii) secondly, to Partners holding Class B Units and Class C Units, the Equivalent Prior Allocation in respect of such fiscal period; and

- (iii) thereafter, as to 99.9% thereof, to Partners holding Units and, as to 0.1% thereof, to the General Partner and the Managing General Partner; and

- (b) in respect of each fiscal period ending after December 31, 1996, as to 99.9% thereof, to Partners holding Units and, as to 0.1% thereof, to the General Partner and the Managing General Partner.

The foregoing allocation is in respect of each such fiscal period and is not cumulative.

Net Loss will be allocated (except for the period before the earlier of (i) the date the Shopping Centres are open to the public and Major Tenants (other than Eaton's in respect of Heritage Mall) are paying or liable to pay rent, and (ii) October 31, 1983), as to 99.9% thereof, to Partners holding Units and as to 0.1% thereof, to the General Partner and the Managing General Partner.

However, in respect of each fiscal period or portion thereof before the earlier of (i) the date the Shopping Centres are open to the public and Major Tenants (other than Eaton's in respect of Heritage Mall) are paying or liable to pay rent, and (ii) October 31, 1983, Distributable Net Income and Net Loss in respect of such periods will be allocated, as to 93.44% thereof to Partners holding Class A Units; as to 6.46% thereof to Partners holding Class B Units and as to 0.1% thereof, equally to the General Partner and the Managing General Partner.

No Distributable Net Income or Net Loss will be allocated to Partners holding Class C Units until the land held for expansion at Sunridge Mall is used for Expansion or is sold.

Amounts allocated to Partners holding Units, or to Partners holding Units of any class, will be allocated among such Partners rateably according to the number of Units held by each and equally in respect of each such Unit (or Unit of such class).

Distributable Net Income will be allocated, after the allocation of the Prior Allocation and the Equivalent Prior Allocation, as to 65.39% thereof (63.92% after expansion or sale of Sunridge Mall), to Partners holding Class A Units, and, so long as Daon holds 750 Class B Units and 50 Class C Units and is the General Partner and Daon Properties Ltd. is the Managing General Partner, as to 34.61% thereof (36.08% thereof after expansion or sale of Sunridge Mall), to Daon.

**Cash Flow Assurance:**

Daon will assure that the amount distributed to a Partner holding Class A Units will not be less than:

|  |                   |
|--|-------------------|
| for each fiscal period ending on or before December 31, 1983                             | 8.57% per annum;  |
| for each fiscal period ending after December 31, 1983 and on or before December 31, 1991 | 9% per annum; and |
| for each fiscal period ending after December 31, 1991 and on or before December 31, 1996 | 15% per annum;    |

of the Adjusted Subscription Price per Class A Unit, less, for each such period, Debt Service in respect of such period per Class A Unit. The foregoing assurance is in respect of each such fiscal period and is not cumulative.

**Distribution:**

The Managing General Partner will distribute Distributable Cash in respect of each fiscal period to the Partners on March 31 of each year, commencing March 31, 1982, in respect of the fiscal period ending the preceding December 31 (and, on March 31, 1982, in respect of the fiscal periods ending December 31, 1980 and 1981), to those persons who were Partners as at the end of the preceding fiscal period.

**Admission of Additional Limited Partners:**

Additional Limited Partners may be admitted to the Partnership (who may hold additional Class A Units or additional Class B Units or Units of some other class but having a Subscription Price of at least \$125,000 per Unit) in the case of an Expansion of a Shopping Centre for an aggregate Subscription Price not to exceed the Development Costs in respect of such Expansion less the aggregate amount borrowed by the Partnership to finance such Expansion (other than a Current Obligation). Partners holding Units will be given bearer assignable subscription rights to subscribe for such additional Units pro rata according to the number of Units held by each before such additional Units are offered to others.

**Limited Liability of Limited Partners:**

The liability of a Limited Partner will be limited to the amount of the Subscription Price in respect of the Units held by such Limited Partner. This limitation of liability will be lost by a Limited Partner who takes part in the control of the business of the Partnership.

**Sale of Class B and Class C Units by Daon:**

Daon may not sell any of its Class B Units or Class C Units except as part of a corporate reorganization or after the earlier (i) of the date the Shopping Centres are open to the public and Major Tenants are paying or liable to pay rent or (ii) October 31, 1983 and then, only if (a) immediately after such sale Daon holds at least a total of 25% of all Units (556 Units), (b) the sale is to a person who makes an offer to Partners holding Class A Units for the purchase of the Class A Units at not less than the greater of (i) the Net Adjusted Subscription Price per Class A Unit and (ii) the same consideration per Class A Unit as is offered to Daon per Class B Unit or Class C Unit or (c) the sale is approved by extraordinary resolution.



**Managing General Partner:**

The Managing General Partner will manage the Partnership. Limited Partners are not entitled to take part in the control of the business of the Partnership.

**Financing:**

The Managing General Partner may borrow money for the Partnership if:

- (a) such borrowing is:
  - (i) Initial Interim Financing;
  - (ii) to finance Development Costs incurred in respect of the Expansion of any Shopping Centre (or to refund such costs); or
  - (iii) a Current Obligation; or
- (b) such borrowing is from a Specified Lending Institution and:
  - (i) immediately after such borrowing and the distribution of Refinancing Proceeds resulting from such borrowing, the Net Adjusted Subscription Price per Class A Unit is less than \$37,500; or
  - (ii) the average annual amount of interest and mandatory sinking fund, purchase fund or instalment retirements of principal payable in respect of such borrowing (plus the amount, if any, estimated by the Managing General Partner of revenue, income or cash flow of the Shopping Centres to be paid in respect of such borrowing in the first 12 month period for which such amount is payable) does not exceed 14% of the largest principal amount of such borrowing at any time outstanding;

and such borrowing is approved by the General Partner.

Refinancing Proceeds will be allocated, as to 99.9% thereof, to Partners holding Units and, as to 0.1% thereof, to the General Partner and Managing General Partner and amounts so allocated will be distributed as soon as reasonably practicable after such funds are available.

**Sale Of A Shopping Centre:**

The Managing General Partner may sell any Shopping Centre (with the approval of the General Partner) after December 31, 1983, but not more than one Shopping Centre may be sold before December 31, 1985. Sale Proceeds from the sale of a Shopping Centre will be distributed as follows:

- (a) firstly, to Partners holding Class A Units, in repayment of the following percentages of the Subscription Price for the Class A Units:
  - (i) in the case of the sale of Heritage Mall 41.39% thereof;
  - (ii) in the case of the sale of Bower Place Shopping Centre 22.59% thereof; and
  - (iii) in the case of the sale of Sunridge Mall 36.02% thereof,less Refinancing Proceeds previously distributed in respect of such Shopping Centre;
- (b) secondly, if such sale occurs after December 31, 1983 and on or before December 31, 1996, to Partners holding Class A Units, the following percentages of the amount determined pursuant to sub-clause (a) above (before deducting Refinancing Proceeds):

- (i) if such sale occurs after December 31, 1983 but on or before December 31, 1991; 5.017%; and
- (ii) if such sale occurs after December 31, 1991 But on or before December 31, 1996; 75.029%;
- (c) thirdly, to Partners holding Class B Units and Class C Units, the percentages set forth in the applicable subsection of subclause (a) above, less Refinancing Proceeds previously distributed in respect of such Shopping Centre, plus, the applicable subsection of subclause (b) above (before deducting Refinancing Proceeds) of the Equivalent Capital of the Class B Units and the Class C Units; and
- (d) thereafter, as to 99.9% thereof, to Partners holding Units and, as to 0.1% thereof, to the General Partner and the Managing General Partner.

No Sale Proceeds will be allocated to Partners holding Class C Units until the expansion or sale of Sunridge Mall (see "Expansion of a Shopping Centre") or unless Sunridge Mall (inclusive of the land for expansion at Sunridge Mall) is sold. See "Allocation and Distribution of Sale Proceeds"; an example of the foregoing allocation is set forth under "Benefits to Daon—Sale."

#### Expansion Of A Shopping Centre:

The Managing General Partner has full authority to expand a Shopping Centre with the approval of the General Partner. If, after the Expansion of a Shopping Centre, Distributable Cash in respect of any fiscal period is less than the amount of the Cash Flow Assurance in respect of such period by reason only of the deduction of Debt Service in respect of such period on money borrowed to finance such Expansion, then Daon will loan the deficiency, if any, to the Partnership. This loan will be repaid to Daon, with interest at the prime rate from time to time, before amounts in excess of the Cash Flow Assurance are distributed to Partners holding Class A Units.

In the case of Sunridge Mall, Daon has received 50 Class C Units having an Equivalent Capital of \$6,250,000 (\$125,000 per Class C Unit) approximately representing the appraised value of the land held for expansion at Sunridge Mall. Until such land is used for Expansion, or is sold, no amount of Distributable Net Income will be allocated or distributed by the Partnership in respect of the Class C Units. When such land is used for Expansion, or is sold, amounts allocated and distributed in respect of a Class C Unit will be in the same proportion to amounts allocated and distributed in respect of a Class A Unit or a Class B Unit as the number of net rentable square feet (up to 200,000) of shopping centre space open to the public on such land is to 200,000 square feet, or the selling price (up to \$6,250,000) is to \$6,250,000.

#### Property Management Agreement:

The Partnership will enter into a property management agreement with Daon Management Ltd. for the management of the Shopping Centres. Daon Management Ltd. will be paid a fee for its services as property manager equal to 1.63% of gross rental revenue from the Shopping Centres (2.5% of the portion of the share of gross rental revenue to which Partners holding Class A Units are notionally entitled).

#### Risk Factors and Conflicts:

Despite the involvement of the General Partner whose management is experienced in the real estate industry and in the development of shopping centres, investment in the Class A Units involves various risks. In addition, circumstances can arise in which the interests of Daon may conflict with the interests of other Partners. Investors will be relying on the experience, judgment and financial ability of Daon to construct, complete, lease, open for

business, operate and finance the Shopping Centres, to provide funds for the Cash Flow Assurance, and to make appropriate decisions with respect to the Expansion or Sale of a Shopping Centre or the obtaining of long term financing. Limited Partners holding Class A Units are not entitled to take part in the control of the business of the Shopping Centres. The following is a summary of the risks and conflicts:

- the limited marketability of the Class A Units;
- liquidity to an investor;
- the completion of the Shopping Centres in a timely manner;
- the leasing of the Shopping Centres;
- the availability and cost of money for long term financing of the Shopping Centres;
- decisions made by Daon in respect of Refinancing, Sale or Expansion;
- risks inherent in the ownership of Shopping Centres such as increased competition from other shopping centres, achieving increased sales, general economic conditions, governmental regulations and restrictions;
- the financial ability of Daon to pay for cost overruns, the Cash Flow Assurance and other obligations;
- the involvement of Daon in other and competing real estate developments;
- a possible reduction in revenue should Daon hold more than 554 Class A Units at the commencement of Eaton's leases or if long term financing rates are less than a certain percentage per annum.

**Prospective investors should review these risks with their professional advisors.**

#### SUBSCRIPTION FOR CLASS A UNITS—THE PARTNERSHIP

##### Subscription:

The Subscription Price for the Class A Units (\$125,000 per Class A Unit; minimum subscription: 4 Class A Units; \$500,000) is payable, at the election of the subscriber, (i) by the delivery, at the time of subscription, of a letter of credit (the "letter of credit") in the required form issued by a Canadian chartered bank in the amount of the Subscription Price; (ii) by the payment of 25% thereof (\$31,250 per Class A Unit; minimum of \$125,000) by certified cheque at the time of subscription and the delivery, at the time of subscription, of a letter of credit in respect of the balance thereof or (iii) by payment of the amount thereof at the time of subscription. If a letter of credit is delivered for all or 75% of the Subscription Price, payments under such letter of credit will be called upon as follows;

| Call Dates under<br>Letter of Credit | Percentage | Amount<br>Per Class<br>A Unit | Amount<br>Per Minimum<br>Subscription<br>(4 Class A<br>Units) |
|--------------------------------------|------------|-------------------------------|---|
| *December 22 to 28, 1980 .....       | 25%        | \$31,250                      | \$125,000   |
| April 30 to May 6, 1981 .....        | 25%        | \$31,250                      | \$125,000   |
| October 30 to November 6, 1981....   | 25%        | \$31,250                      | \$125,000   |
| April 30 to May 6, 1982 .....        | 25%        | \$31,250                      | \$125,000   |

\* Unless this amount is paid at the time of subscription

#### PROJECT FUND

##### General:

Net proceeds from the sale of the Class A Units, after the conditions referred to under "Plan of Distribution" are satisfied, will be deposited with National Trust Company, Limited as Custodian for the Partnership in a Project Fund. Cash in the Project Fund will, at the direction of the Partnership, be deposited



by the Custodian with a Canadian chartered bank against deposit certificates (without rights of setoff by any such bank in respect of Initial Interim Financing) or with its own deposit department, or be invested in investments permitted by the terms of Subsection 63(1) of the Canadian and British Insurance Companies Act as investments for companies registered under Part III of such Act. Income on such deposits and net gains on such investments will be paid to the Partnership from time to time.

The Partnership may direct the Custodian to deposit the Project Fund with the Canadian chartered banks providing interim financing for the development of the Shopping Centres at a rate of interest that fixes the rate of interest to be paid by the Partnership upon such interim financing at a rate over the rate of interest paid on such deposit.

**Withdrawal From  
Project Fund:**

When the Shopping Centres are open to the public and Major Tenants (other than Eaton's in respect of Heritage Mall) are paying or liable to pay rent, cash deposited in the Project Fund may be withdrawn by the Partnership in an amount not exceeding Development Costs and this amount will be used to repay an equal amount of Initial Interim Financing and amounts advanced by Daon to pay for Development Costs and Issue Expenses, not exceeding \$177,625,000. In any event, all cash deposited in the Project Fund may be withdrawn by the Partnership after October 31, 1983.

**PURCHASE BY DAON**

**Purchase By  
Daon:**

Daon will purchase each Class A Unit offered to it after September 30, 1983 and on or before 5:00 p.m. (Vancouver time) October 31, 1983 at the Net Adjusted Subscription Price per Class A Unit if, by September 30, 1983, the Shopping Centres are not open to the public and Major Tenants are neither paying nor liable to pay rent. If more than 90% of all Class A Units held by Partners other than Daon are offered to Daon, then the remaining Class A Units will be deemed to be offered to Daon and will be acquired by Daon for the same amount.

**SUMMARY OF TRANSACTIONS**

The following is a summary of the principal transactions in respect of this offering and which are referred to in greater detail in this Offering Memorandum:

**Acquisition of Property:**

The Partnership acquired the lands upon which the Shopping Centres are being constructed (including land held for expansion at Sunridge Mall) and all other tangible and intangible property in connection therewith from Daon for \$136,055,000 of which \$36,055,000 (representing Daon's capitalized cost of the land and other property) is payable to Daon in cash.

**Partnership Interests:**

The \$177,625,000 to be contributed by Partners holding Class A Units represents 100% of the estimated total Development Costs and Issue Expenses. The percentage interest of Partners holding Class A Units (without considering the Cash Flow Assurance, Prior Allocation or the allocation of Sale Proceeds) in the Partnership is 65.39% (63.92% after the expansion or sale of Sunridge Mall) which is 99.9% of the percentage that \$177,625,000 is to \$271,375,000 (\$277,625,000 after the expansion or sale of Sunridge Mall). Likewise, Daon's percentage interest in the Partnership (without regard to Class A Units that may be subscribed for by Daon) in respect of the Class B Units and the Class C Units is 34.51% (35.98% after the expansion or sale of Sunridge Mall) which is 99.9% of the percentage that \$93,750,000 (\$100,000,000 after the expansion or sale of Sunridge Mall) is to \$271,375,000 (\$277,625,000 after the expansion or sale of Sunridge Mall).

## DEFINITIONS

The following terms appear throughout the Offering Memorandum. Care should be taken to read each term in the context of the particular provision of the Offering Memorandum in which a term is used. Each term is more fully defined in the Partnership Agreement and the following represents only a summary of certain terms to aid a prospective investor in reading this Offering Memorandum.

“Adjusted Equivalent Capital”—the Equivalent Capital less Sale Proceeds distributed in respect of the Class B Units and the Class C Units;

“Adjusted Subscription Price”—the amount of the Subscription Price paid at any time for the Units (or Units of any class), less Sale Proceeds distributed in respect of such Units (or Units of such class);

“Cash Flow Assurance”—the amount of cash assured to Partners holding Class A Units as set forth under “Cash Flow Assurance to Partners holding Class A Units”;

“Current Obligation”—any obligation incurred, created or assumed by the Partnership the principal amount of which is payable on demand or which matures by its terms on, or is renewable at the option of the obligor to, a date not more than 18 months after the original incurring, creation or assumption thereof;

“Debt Service”—the amount payable in respect of a fiscal period in respect of interest, premium, mandatory sinking fund, purchase fund or instalment retirements of principal and other payments calculated by reference to cash flow, income, revenue or like amounts in respect of the Shopping Centres payable on borrowing by the Partnership which is not a Current Obligation;

“Development Costs”—total costs incurred by the Partnership in the development, construction, initial leasing and interim financing of the Shopping Centres or an Expansion;

“Distributable Cash”—net cash flow from operations after debt service in respect of a fiscal period;

“Distributable Net Income”—the net income of the Partnership in respect of a fiscal period without regard to depreciation, amortization and other items not involving an expenditure in respect of such fiscal period and without regard to gain (or loss) from a Sale;

“Expansion”—work on a Shopping Centre (such as the increase in size of, or renovation of, a Shopping Centre) that results in an increase in Development Costs;

“Equivalent Capital”—\$93,750,000 allocated to the Class B Units and \$6,250,000 allocated to the Class C Units;

“Equivalent Prior Allocation”—the same percentages per annum as the Prior Allocation, applied to the Equivalent Capital less, in each such period Funded Interest Expense allocated to the Class B Units and the Class C Units in respect of such period;

“Extraordinary Resolution”—a resolution by the Partners (or Partners holding Units of any Class) passed by 66⅔% of the votes cast;

“fiscal period”—the fiscal period of the Partnership ending on December 31, in each year;

“Funded Interest Expense”—the amount of interest, premium and other payments (not including principal) calculated by reference to cash flow, income, revenue or like amounts in respect of the Shopping Centres payable on borrowing by the Partnership which is not a Current Obligation;

“Initial Interim Financing”—borrowing by the Partnership to finance Development Costs as arranged by Daon; see “Interim Financing of the Shopping Centres”;

“Issue Expenses”—the Agents’ commission and expenses of this issue;

“Limited Partner”—a Partner, other than the General Partner or the Managing General Partner;

“Major Tenants”—the tenants referred to as “Major Tenants” in the Offering Memorandum Summary under “The Shopping Centres”;

“Net Adjusted Subscription Price”—the amount of the Subscription Price paid for the Units (or the Units of any class) less Sale Proceeds and Refinancing Proceeds distributed in respect of such Units (or Units of such class);

“Net Loss”—the net loss of the Partnership in respect of a fiscal period without regard to depreciation, amortization and other items not involving an expenditure in respect of such fiscal period and without regard to gain (or loss) from a Sale;

“Partner”—the General Partner, the Managing General Partner or any person who is shown on the certificate as a Limited Partner;

“Prior Allocation”—the following percentages per annum of the Adjusted Subscription Price for the Class A Units; namely, in respect of each fiscal period ending (i) on or before December 31, 1983, 8.57% per annum, (ii) after December 31, 1983 and on or before December 31, 1991, 9% per annum and (iii) after December 31, 1991 and on or before December 31, 1996, 15% per annum, less, in each such period, Funded Interest Expense allocated to the Class A Units in respect of such period;

“Refinancing”—borrowing by the Partnership which is not a Current Obligation;

“Refinancing Proceeds”—the net proceeds resulting from a Refinancing after deducting expenses and debts of the Partnership paid out of the proceeds of such borrowing, plus the amount, if any, of the Subscription Price for the Class A Units remaining after the payment of Development Costs and Issue Expenses;

“Sale”—the sale of a Shopping Centre (including net proceeds from insurance claims and compensation for expropriation);

“Sale Proceeds”—the net proceeds resulting from a Sale after deducting expenses and debts of the Partnership paid out of the proceeds of such Sale;

“Shopping Centres”—the regional shopping centres described in this Offering Memorandum known as Heritage Mall, Edmonton; Bower Place Shopping Centre, Red Deer and Sunridge Mall, Calgary (including the land, the building and all equipment integral thereto) and “Shopping Centre” means any one of the Shopping Centres;

“Specified Lending Institution”—any bank, trust company, insurance company, pension fund, loan company or any corporation which is approved as a lender under the National Housing Act or has an exclusive advisory contract with one of the foregoing or a holder of evidence of indebtedness issued under an indenture to a trustee if there is included among such holders or as a beneficiary of such trust one or more of the foregoing;

“Subscription Price”—the amount of cash to be paid to the Partnership by a Partner in respect of a Unit.



## DAON SHOPPING CENTRES, ALBERTA SUMMARY OF PROJECTED INCOME

Notes & Assumptions:

(1) Income from operations has been calculated for each Shopping Centre on the basis of certain assumptions considered reasonable for each. No assumption has been made for income to be generated if a Shopping Centre is expanded.

(2) Interest income has been calculated at 11% per annum on cash generated from operations. No amount has been included in respect of interest to be earned by the Partnership from the investment of the Project Fund.

(3) No deduction has been made for the general and administrative expenses of the Partnership estimated to be \$75,000 in 1981.

(3) No deduction has been made for the general and administrative expenses of the Partnership estimated to be \$75,000 in 1981.

(4) Distributable Net Income allocated to Partners holding Class A Units has been calculated assuming no Funded Interest Expense.

(5) Distributable Net Income allocated to Partners holding Class A Units for the year ending December 31, 1981 has been determined by assuming that cash in the Project Fund will earn 10% per annum to September 1, 1981 and that Partners holding Class A Units are entitled to 93.44% thereof.

(6) In years 1981 and 1982, the before tax return on investment is based upon a payment of the Subscription Price for Class A Units in instalments, annum to September 1, 1981 and that Partners holding Class A Units are entitled to 95.44% thereof.

(7) Income (loss) for tax purposes has been calculated after claiming maximum available capital cost allowances. No such claim has been made for 1980 or 1981.

The above projections are based on assumptions considered reasonable when prepared but which are subject to uncertainty and variation depending on evolving events. There is no representation that the projections will be realized in whole or in part.

## THE LIMITED PARTNERSHIP

Daon Shopping Centres, Alberta (the "Partnership") is a limited partnership formed under the laws of the Province of Alberta on July 21, 1980 pursuant to a partnership agreement entered into by and among Daon Development Corporation ("Daon") as General Partner, Daon Properties Ltd. as Managing General Partner and 999 Holdings Ltd. as Limited Partner, as amended and restated on October 30, 1980. A copy of the amended and restated partnership agreement (the "Partnership Agreement") is set out in its entirety as Exhibit A to this Offering Memorandum. Upon acceptance of subscriptions for the Class A Units and upon the closing of this offering and the appropriate public filings having been made, subscribers for the Class A Units will become Limited Partners.

The head office of the Partnership is located at #2100-444—5th Avenue, S.W., Calgary, Alberta. The chief operating office of the Partnership is located at 6th Floor, 999 West Hastings Street, Vancouver, British Columbia.

The Partnership is engaged in the construction, development and leasing of three regional shopping centres (the "Shopping Centres") located in Alberta to be known as "Heritage Mall" in Edmonton, "Bower Place Shopping Centre" in Red Deer and "Sunridge Mall" in Calgary and will engage in the operation and management of the Shopping Centres following their completion. The Partnership acquired the lands upon which the Shopping Centres are being constructed (including land held for expansion at Sunridge Mall) and all other tangible and intangible property in connection therewith from Daon for \$136,055,000 of which \$36,055,000 (representing Daon's capitalized cost of the land and other property) is payable to Daon in cash and the balance of \$100,000,000 represents the Class B Units and the Class C Units held by Daon. The land had been assembled by Daon over a number of years, beginning in 1972. In the case of Sunridge Mall, the land forms part of a larger parcel of land assembled by Daon and developed by it in other aspects of its business.

The interests of the Limited Partners (including Daon) in the Partnership will be limited to and represented by 2221 Units consisting of 1421 Class A Units, 750 Class B Units and 50 Class C Units, subject to a possible increase in the number of Units upon the Expansion of a Shopping Centre; see "Admission of Additional Limited Partners—Expansion of a Shopping Centre". 1420 Class A Units are offered for sale. One Class A Unit is held by 999 Holdings Ltd. Daon may subscribe for up to 800 of the Class A Units and holds all of the 750 Class B Units and the 50 Class C Units.

So long as Daon holds 750 Class B Units and 50 Class C Units, after allocation of the Prior Allocation to Partners holding Class A Units and the Equivalent Prior Allocation to Partners holding Class B and Class C Units, Partners holding Class A Units (which may include Daon) will be entitled to 65.39% (63.92% after expansion or sale of Sunridge Mall) of the income from the operation of the Shopping Centres. Gain on Sale of a Shopping Centre is allocated and Sale Proceeds are distributed according to certain priorities and in the proportions set forth under "Allocation and Distribution of Sale Proceeds". Partners holding Class A Units are entitled to 65.39% (63.92% after expansion or sale of Sunridge Mall) of Refinancing Proceeds.

The Limited Partners are not entitled to take part in the control of the business of the Partnership.

## THE SHOPPING CENTRES

### Shopping Centre Development

Regional shopping centres provide retail shopping facilities for major suburban populations and generally contain over 400,000 rentable square feet of shopping centre space, including at least one major department store.

Since the 1950's, shopping centres have become an increasingly important part of the retail sales market. By 1978, more than 21,000 shopping centres were estimated to be open in North America. Approximately 1,200 of these were regional shopping centres with rentable shopping centre space in excess of 400,000 square feet. By 1978 the number of shopping centres in Canada was estimated to exceed 1,200 of which approximately 110 were regional shopping centres.

One of the central features in planning a regional shopping centre is to provide “one stop shopping” in a comfortable environment. This is accomplished by providing a full range of retail stores and other services grouped together in an enclosed, climate-controlled mall.

A shopping centre must be designed to attract customers and to maximize the circulation of customers throughout the mall. In order to attract customers, a regional shopping centre depends primarily upon the presence of one or more major department stores. In Canada, there are a limited number of well known major department stores capable of attracting the number of customers necessary for a viable regional shopping centre. Attracting customers to the centre is also dependent on access to and from major road systems, adequate parking, and provision for convenient service by public transit systems.

In order to maximize customer circulation throughout the mall, a regional shopping centre is generally designed by separating the location of the major department stores and locating retail stores and other services on a mall between the major stores. When all tenants are located on a mall between two major stores, a large food store or a mall entrance, dead-end areas are avoided. Even distribution of parking facilities around the shopping centre equalizes traffic within the mall and reduces walking distances from cars to the shopping centre entrances.

Regional shopping centres of over 500,000 square feet are usually constructed on two levels to provide an aesthetically pleasing urban atmosphere, to reduce walking distances between major department stores, and to make the best use of available land. In order to distribute traffic evenly between two levels, parking facilities must be provided on both levels either by changes in the grade level or by parking decks, and the strongest merchandising floor of the respective department stores must be placed on different levels. In addition, a two level mall should include convenient vertical transportation and strong visual inter-relationships between the levels.

Lease commitments from major department stores and food supermarkets are generally contained in letter agreements outlining the major business terms. It is common practice in the shopping centre industry to commence construction of a shopping centre when such letter agreements have been signed. Lenders will generally fund interim financing on the basis of these letter agreements. Formal lease documentation from these major tenants is normally not required until permanent financing is funded and the shopping centre is open for business. Lease commitments from these major tenants are usually made for terms of 20 to 35 years, at rents which are fixed for the length of the term or which may decrease under certain circumstances and which provide for options to renew for further consecutive terms often totalling 70 years, at the same or, in some cases, reduced rental rates. These lease commitments often contain provisions giving the major tenants certain control over the development of a shopping centre, such as the right to approve plans and specifications, location and types of mall retail store tenants, expansion of the shopping centre and other matters fundamental to the development of the shopping centre.

Regional shopping centres are generally able to attract mall retail store tenants which have retail stores or service centres in all parts of Canada. Many of these tenants have strong financial covenants. Most leases with mall retail store tenants are for terms of 5 to 10 years and require, in addition to a fixed minimum rent, the payment by the tenant of additional rent based upon a percentage of its sales once a minimum level of sales is achieved. Basic minimum rents are normally renegotiated every 5 to 10 years. The amount of rent paid by mall retail store tenants will vary depending upon their size, location, type of merchandise and the sales volume achieved.

Both major tenants and mall retail store tenants are responsible under their leases to pay their share of costs incurred in the operation of the shopping centre and real estate taxes.

Because the amount of rent payable by the mall retail store tenants in excess of fixed minimum rents is based upon a percentage of sales, increases in the income earned by a shopping centre depend upon the level of retail sales achieved by these tenants. The improvement (or deterioration) in economic conditions as well as the nature of competition from other retail shopping centres have a direct impact on earnings from a shopping centre.

Canadian regional shopping centres containing two or more of the major department stores have consistently been regarded as desirable investments and have historically commanded high resale prices.



## The Shopping Centres

The following table provides a brief description of the Shopping Centres being developed and leased for management and operation by the Partnership:

| Name                              | Location | Size of Tenancies (sq. ft.) |                               | Major Tenants<br>(rentable<br>sq. ft.)   | Mall Retail<br>Space<br>(rentable<br>sq. ft.) | Scheduled<br>Opening |
|-----------------------------------|----------|-----------------------------|-------------------------------|--|---|----------------------|
|                                   |          | Gross<br>Area<br>(sq. ft.)  | Rentable<br>Area<br>(sq. ft.) |  |   |                      |
| Heritage Mall                     | Edmonton | 914,500                     | 779,000                       | Eaton's Department Store ( 164,400 ) <sup>(1)</sup><br>Sears Department Store ( 152,300 )<br>Woolco Department Store ( 142,600 )<br>Safeway Supermarket ( 47,800 ) | 271,900                                       | August,<br>1981      |
| Bower Place<br>Shopping<br>Centre | Red Deer | 500,000                     | 435,000                       | Eaton's Department Store ( 122,500 )<br>Woodward Department Store<br>( 111,500 )<br>Woodward's Food Floor ( 40,300 )   | 160,700                                       | May,<br>1981         |
| Sunridge Mall                     | Calgary  | 791,500                     | 645,500                       | Eaton's Department Store ( 165,300 )<br>Woodward's Department Store<br>(including bargain store) ( 187,700 )<br>Woodward's Food Floor ( 45,300 )                   | 247,200                                       | August,<br>1981      |

### NOTES:

<sup>(1)</sup> Eaton's is not obligated to open its department store at Heritage Mall until April, 1982, but the Eaton's department store is now under construction and could be open at the time of the scheduled opening of Heritage Mall.

**The exact size of the Shopping Centres and of the space to be leased by any tenant cannot be precisely measured until the Shopping Centres are completed. The measurements in this Offering Memorandum are approximate, but will not differ significantly from the final measurements.**

## The Economy of the Province of Alberta

At the present time, the Alberta economy is the strongest and most rapidly growing of any Canadian Province.

Alberta is rich in natural resources, including conventional crude oil, the resources of the tarsands, heavy oil, natural gas, coal and electricity. The energy resource industry and its secondary and supportive industries form the base of the Alberta economy.

The level of investment, which Alberta government analysts estimated at \$12.8 billion in 1978 (twice the national average), is projected at \$15 billion for 1980, compared to only \$2.2 billion annually in the late 1960's. The Provincial Department of Economic Development estimates that some \$120 billion will be invested in Alberta industrial projects of all types during the 1980's. A list of such developments prepared in 1978 included 300 major new investment projects in the Province.

The Alberta government is promoting economic diversification. Very substantial investments have been and are continuing to be made in crude oil refining capacity, particularly the petrochemical industry which is already producing large volumes of basic synthetic fluids and resins. There are further plans for diversification and growth in other sectors of the economy such as food processing, agriculture and animal husbandry, the forest industry and the establishment of research facilities, particularly for technology associated with oil and gas, electronics and medicine. Greater development of tourism and recreational potential is expected as well as the promotion of Alberta's position as "Gateway to the North" which has been facilitated to some extent by the acquisition of Pacific Western Airlines by the Province.

The emergence of Alberta as the financial centre of western Canada is evidenced by construction of new major bank buildings, including the two tower Bank of Montreal project. The fact that this bank has

relocated its Chairman to Calgary is a further indication of the significance of Alberta to the Canadian financial community. Three Canadian chartered banks have created foreign exchange desks in the Province and several foreign banks have opened offices in Alberta. The provincially based Canadian Commercial and Industrial Bank is growing. The Alberta Heritage Trust Fund, which will likely exceed \$7 billion in 1980, is a major source of loan and direct investment for, and of great significance to, the financial framework of the Province.

The construction industry in Alberta is rapidly expanding in response to growing industrial, commercial and residential needs. For the first part of 1980, Alberta had more housing starts than Ontario and Calgary will have its third consecutive year in which the value of building permits will exceed \$1 billion.

The population of Alberta was 1,332,000 persons in 1961, 1,628,000 persons in 1971 and is projected to be 2,155,000 persons by 1981 and 2,600,000 persons by 1986. Retail sales were \$8.1 billion in 1979, an increase of 18.7% from 1978.

Alberta has the highest rate of new job creation in Canada. Its unemployment rate, which averages about 4.0%, is the lowest in Canada. For 1980, real economic growth is projected to range between 4.0% and 5.0%.

### **Retail Sales Potential**

The following table indicates the estimated per capita income and per capita retail sales expenditures (including only expenditures for all types of merchandise sold in Canadian department stores and specialty stores carrying similar merchandise, but not expenditures for food, liquor, other retail sales or expenditures of a service nature) for the trade areas (see inside front cover) for each of the Shopping Centres, the Province of Alberta and Canada for 1980:

|   | <u>Heritage Mall<br/>Trade Area</u> | <u>Bower Place<br/>Trade Area<br/>(Primary Area)</u> | <u>Sunridge Mall<br/>Trade Area</u> | <u>Province<br/>of Alberta</u> | <u>Canada</u> |
|---|-------------------------------------|--|-------------------------------------|--------------------------------|---------------|
| Per capita income   | \$11,245                            | \$10,470   | \$10,195                            | \$10,345                       | \$9,890       |
| Per capita retail sales                                       | \$ 2,015                            | \$ 1,935   | \$ 1,935                            | \$ 1,925                       | \$1,435       |
| Retail sales as a percentage<br>of income                     | 17.9%                               | 18.5%  | 19%                                 | 18.6%                          | 14.5%         |
| Average percentage population<br>growth per annum (1971-1980) | 5.4%                                | 5.7%   | 9.0%                                | 3.0%                           | 1.2%          |

### **Department Stores and Food Store**

#### *Eaton's*

Eaton's of Canada Limited comprising The T. Eaton Company Limited and its subsidiaries ("Eaton's"), is one of the largest department store organizations in Canada. It is entirely Canadian-owned and has carried on business since 1869. It now operates 108 retail stores with over 12,000,000 square feet of floor space and regularly employs approximately 37,000 people. The stores feature complete lines of hard and soft goods and combine in-person shopping with broad telephone shopping programs. Eaton's is continually expanding its operation through new locations, expansions and renovations. Eaton's is well represented in all major Canadian markets and substantial numbers of new stores are planned. At present there is particular focus on western Canada where Eaton's Alberta and British Columbia operations will be noticeably strengthened by new store openings.

#### *Woodward's*

Woodward Stores Limited and its subsidiaries ("Woodward's") is one of the leading operators of department stores in western Canada. Woodward's has 23 stores in British Columbia and Alberta comprising 20 full line department stores (many with food floor facilities), one free standing food store and two furniture and appliance centres. Woodward's markets family fashions, home furnishings, sporting goods, hardware and automotive products, cosmetics and pharmaceuticals, notions, stationery and total food selections. Woodward's commitment to full line department stores together with full food stores

makes it unique among Canadian retailers. The entire operation employs 16,000 full and part-time employees and had sales of approximately \$900 million in 1979. Woodward's current expansion program will add a further three department stores in 1981 (including the department stores in Bower Place Shopping Centre and Sunridge Mall) and the relocation of one older store to a modern shopping centre.

#### *Sears*

Simpsons-Sears Limited ("Sears"), since its formation in 1953, has grown to become one of the dominant forces in Canadian retailing. It now operates 65 retail department stores together with four catalogue centres supported by 1,020 catalogue sales offices. Net sales in 1979 were \$2.6 billion. Simpsons-Sears Limited is represented by its retail outlets or catalogue operations in almost every city and town in Canada and stresses broad customer appeal backed up by a strong centralized buying organization.

#### *Woolco*

F.W. Woolworth Co. Limited ("Woolco") is the Canadian subsidiary of F.W. Woolworth Co., the international retailing complex with 6,040 retail operations around the world. The Canadian company had 105 Woolco stores in operation at the end of 1979. Woolco stores, which are located in all parts of Canada, together with 196 Woolworth stores and nine catalogue stores, had total sales in 1979 in excess of \$1.5 billion. Woolco stores currently emphasize fashion apparel and incorporate a sophisticated point-of-sale system in conjunction with extensive distribution facilities. There is an aggressive expansion program for new Woolco stores, eight of which were planned for 1980 and a further eight are planned to open in 1981. These stores, in more productive regional shopping centres, are gradually replacing the Woolworth stores in smaller downtown and suburban markets.

#### *Safeway*

Canada Safeway Limited ("Safeway") is the second largest supermarket retailer in Canada with approximately 280 stores located in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. In conjunction with its retail grocery business, Safeway, through its subsidiaries, operates 21 food processing plants in Canada. Safeway's 21,000 employees serve over 2,750,000 customers each week in stores which range in size up to 45,000 square feet and which have average annual sales of \$4 million. Personnel are directed by merchandising and administrative staff at division offices in Vancouver, Calgary, Regina and Winnipeg. A new division office is planned to open in Toronto in January, 1981.

### **Summary of Mall Retail Store Lease**

Formal lease documentation has been prepared and delivered to prospective mall retail store tenants. Lease negotiations are now underway and expressions of interest have been and are being received from several prospective tenants; however, at October 31, 1980, no binding agreement to lease had been entered into with any mall retail store tenant.

The following is a summary of the lease which, with certain modifications in individual cases, will be entered into with the mall retail store tenants.

The majority of leases will be for a term of 10 years. The term will commence on the later of (i) the day upon which the Shopping Centre opens for business, and (ii) the day following the expiration of a period determined by the Partnership to permit fixturing.

The tenant is obligated to open for business on and pay rent from the commencement of the term. The tenant is obligated to pay the greater of an annual fixed minimum rent or, a percentage rent based on gross sales, subject to reduction for the period, if any, from commencement until at least one of the department stores and mall retail store tenants occupying at least 65% of the rentable shopping centre space to be occupied by such tenants are open for business.

The tenant is also obligated to pay its proportionate share of all costs incurred in the operation, repair and maintenance of the Shopping Centre, including common area maintenance costs, taxes and administrative costs, and to pay the cost of utilities attributable to its premises. The tenant will be required to make an initial contribution and annual contributions to a promotion fund to be used by the Partnership for the promotion and benefit of the Shopping Centre.

The premises are required to be used for the purpose provided for in the lease, and the tenant is obligated to operate and conduct its business in an up-to-date, first class and reputable manner befitting



the character of the Shopping Centre. The tenant is prohibited from materially changing the nature of its business or the quality of its goods and services unless consent is obtained from the Partnership.

## **HERITAGE MALL**

Heritage Mall will be an enclosed two level regional shopping centre containing approximately 779,000 rentable square feet of shopping centre space located on a 46.5-acre site in the southern portion of the City of Edmonton, Alberta.

### **Edmonton**

Over the last two decades Edmonton has experienced a period of accelerated economic growth, based on its key location relative to the energy resources of northern Alberta and the western Arctic. The City's current prosperity dates back to the Leduc oil discovery of 1947. Since that date there has been a continuing series of oil and gas discoveries around the City. The oil and gas industry has been the prime source of Edmonton's historic and consistent growth and continues to provide a catalyst for economic development in the region. Between 1969 and 1979, the number of industrial plants in Edmonton increased from 865 to 1,495. With its strategic location, Edmonton can favourably manufacture and distribute goods to the total western Canadian market and serve as the principal supply and service base for northern Alberta, northeast British Columbia, northwest Saskatchewan, the Yukon and Alaska. Coupled with Edmonton's economic growth has been a substantial increase in construction value. In 1979, the total permit value of construction in the City of Edmonton was over \$1 billion and housing starts totalled 12,300 units. In addition, many financial institutions have been expanding and upgrading their Edmonton facilities to regional or divisional headquarter status.

Edmonton is the capital of the Province of Alberta and has a rapidly growing government labour force. In 1977 the municipal, provincial and federal governments together employed approximately 54,600 people. In addition, schools, including the University of Alberta and Northern Alberta Institute of Technology, employed approximately 8,900 people. Planned for the near future are major research facilities and the transformation of the University Hospital into a leading Canadian health research centre at an estimated cost of \$135 million.

Since 1971, the population of the Edmonton metropolitan area has increased from approximately 496,000 persons to approximately 630,000 persons in 1980. It is expected that the population will continue to grow by almost 20,000 persons per year. The growth in the economy has resulted in new job opportunities, rising income levels and retail expenditure potential.

### **Trade Area**

The trade area for Heritage Mall (inside front cover) is presently and will continue to be the major growth area in the Edmonton region. From a population of 112,000 persons in 1966, the population of this area today has grown to 207,500 persons and is projected to total 267,000 persons by 1986.

### **Location and Site**

Heritage Mall is situated approximately six miles south of the downtown area of Edmonton and one mile west of Highway 2, the main highway connecting the cities of Edmonton and Calgary. The 46.5-acre site is located at the north-east quadrant of the intersection of 111th Street and 23rd Avenue in the Kaskitayo region of Edmonton. Access to this Shopping Centre will be provided from 111th Street and 109th Street. The City of Edmonton has made provision for a light rail transit station at the north-west corner of 109th Street and 23rd Avenue.

### **Retail Competition for Heritage Mall**

The only regional shopping centre in the Heritage Mall trade area is the Southgate Shopping Centre located two miles north of Heritage Mall. Southgate Shopping Centre includes a Woodward's and a Bay department store and plans for expansion of Southgate Shopping Centre (including the expansion of one of the department stores) have recently been announced. Sears operates a limited line department store in the Bonnie Doon Shopping Centre on the northern edge of the trade area. In addition, land has been zoned in the Heritage Mall Trade Area for the Mill Woods Centre, but this centre is not likely to be developed in the near future as a regional shopping centre because five major department stores will already be located in southern Edmonton.

Heritage Mall is the only regional shopping centre planned for the Heritage Mall Trade Area with three complementary major department stores.

### Projected Growth in Retail Sales

The following table (derived from a study provided to Daon by Larry Smith & Associates Ltd.) illustrates the projected percentage growth in retail sales in the Heritage Mall Trade Area for the period 1980 to 1986;

|   | percentage growth over 1980 |      |      |
|---|-----------------------------|------|------|
|   | 1982                        | 1984 | 1986 |
| Projected total retail sales growth   | 29.1                        | 61.8 | 98.2 |
| The following factors are included in the calculation of projected total Trade Area retail sales growth:                    |                             |      |      |
| Increase resulting from projected population growth   | 9.4                         | 19.0 | 28.7 |
| Increase resulting from inflation rate of 7.5% per annum and increase in the standard of living projected at 1.5% per annum | 18.0                        | 36.0 | 54.0 |

### Projected Increase in Sales

Percentage rent results when the percentage (as set forth in each mall retail store lease) of gross annual sales of a mall retail store exceeds the annual base rent as provided for in the lease of such store.

Sales per square foot are assumed to increase as a result of market growth (based on population projections for the Heritage Mall Trade Area), market penetration (transfer of sales from existing trade area retail facilities due to changing shopping patterns), inflation and real income growth. The projected increases in percentage rents for the mall retail store tenants at Heritage Mall have been calculated by Daon on the basis of projected increase in sales per square foot by such stores over projected sales per square foot in 1982 as a result of the following factors:

|   | (percentage per annum increase, compounded annually, over 1982) |      |      |      |      |      |      |      |      |           |
|---|---|------|------|------|------|------|------|------|------|-----------|
|   | 1983  | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992-1997 |
| Projected increase in sales   | 21.0  | 19.0 | 16.0 | 14.0 | 14.0 | 13.0 | 12.0 | 12.0 | 12.0 | 11.0      |
| The following factors are included in the calculation of projected increase in sales: |   |      |      |      |      |      |      |      |      |           |
| Market growth   | 6.0   | 6.0  | 6.0  | 5.0  | 5.0  | 4.0  | 3.0  | 3.0  | 3.0  | 2.0       |
| Market penetration  | 5.0   | 3.0  | —    | —    | —    | —    | —    | —    | —    | —         |
| Inflation   | 7.5   | 7.5  | 7.5  | 7.5  | 7.5  | 7.5  | 7.5  | 7.5  | 7.5  | 7.5       |
| Real income growth  | 1.5   | 1.5  | 1.5  | 1.5  | 1.5  | 1.5  | 1.5  | 1.5  | 1.5  | 1.5       |

The amount of sales per square foot for each mall retail store in 1982 was determined by Daon upon assumptions that it considers reasonable and consistent with industry performance. The foregoing factors have been formulated by Daon, in part, on the basis of independent studies prepared for Daon by Larry Smith & Associates Ltd. and by Urbanics Consultants Ltd. and, in part, on the basis of other sources Daon considers to be reliable.

### Description of Heritage Mall

Heritage Mall will be a two level enclosed regional shopping centre containing approximately 914,500 square feet of gross building area. The total rentable shopping centre space will be approximately 779,000 square feet complemented by approximately 135,500 square feet of enclosed public mall, maintenance and service areas. Parking spaces for 3,900 automobiles (5.0 spaces for each 1,000 rentable square feet of shopping centre space) will be provided, some on a parking deck. The first level of the shopping centre will be constructed of precast and cast-in-place concrete and the second level of structural steel. Both levels will be faced with four inch brick and precast concrete. The parking deck will be precast concrete.

Heritage Mall has been designed to afford customers a pleasant shopping environment. The interior of the mall will be finished with a high proportion of natural materials such as wood and brick, will enjoy a good supply of natural light from skylights and will be extensively landscaped. Large light wells will provide a close inter-relationship between the two shopping levels.

The parking areas have been arranged to provide direct access to both levels of the mall.

The two levels of the mall will be linked by escalators and stairs, and elevators will be located both in the mall and in the department stores.

Heating and air conditioning for the public areas and the mall retail stores will be provided by mall air handling units and by a central plant supplying chilled or hot water to individual fan coil units in the mall retail stores. A system for utilizing "free cooling" from the atmosphere will also be incorporated. The department stores will separately provide heat and air conditioning for their own stores.

Heritage Mall is now under construction and is scheduled to be completed and open to the public in August, 1981. Although the letter agreement for the Eaton's department store provides that Eaton's is not obligated to open its department store to the public until April, 1982, this store is presently under construction and could be completed and open in August, 1981.

Heritage Mall will be anchored by three major department stores, Eaton's, Sears and Woolco, each on two levels and a Safeway supermarket on one level complimented by two levels of mall retail stores comprising 271,900 rentable square feet. Both levels of each department store will open onto the enclosed public mall. In order to provide a balanced marketing plan, the merchandising plan for Heritage Mall places the fashion department for Eaton's and Woolco on the upper level and for Sears on the lower level.

The letter agreements with Eaton's, Sears and Woolco provide, in effect, that none of them may be required to open initially for business between October 15 and the last day of February although the agreements vary in each case. Generally, the tenant of any store that is not open and that is not obligated to open is not liable to pay rent.

#### **Architects and Contractors**

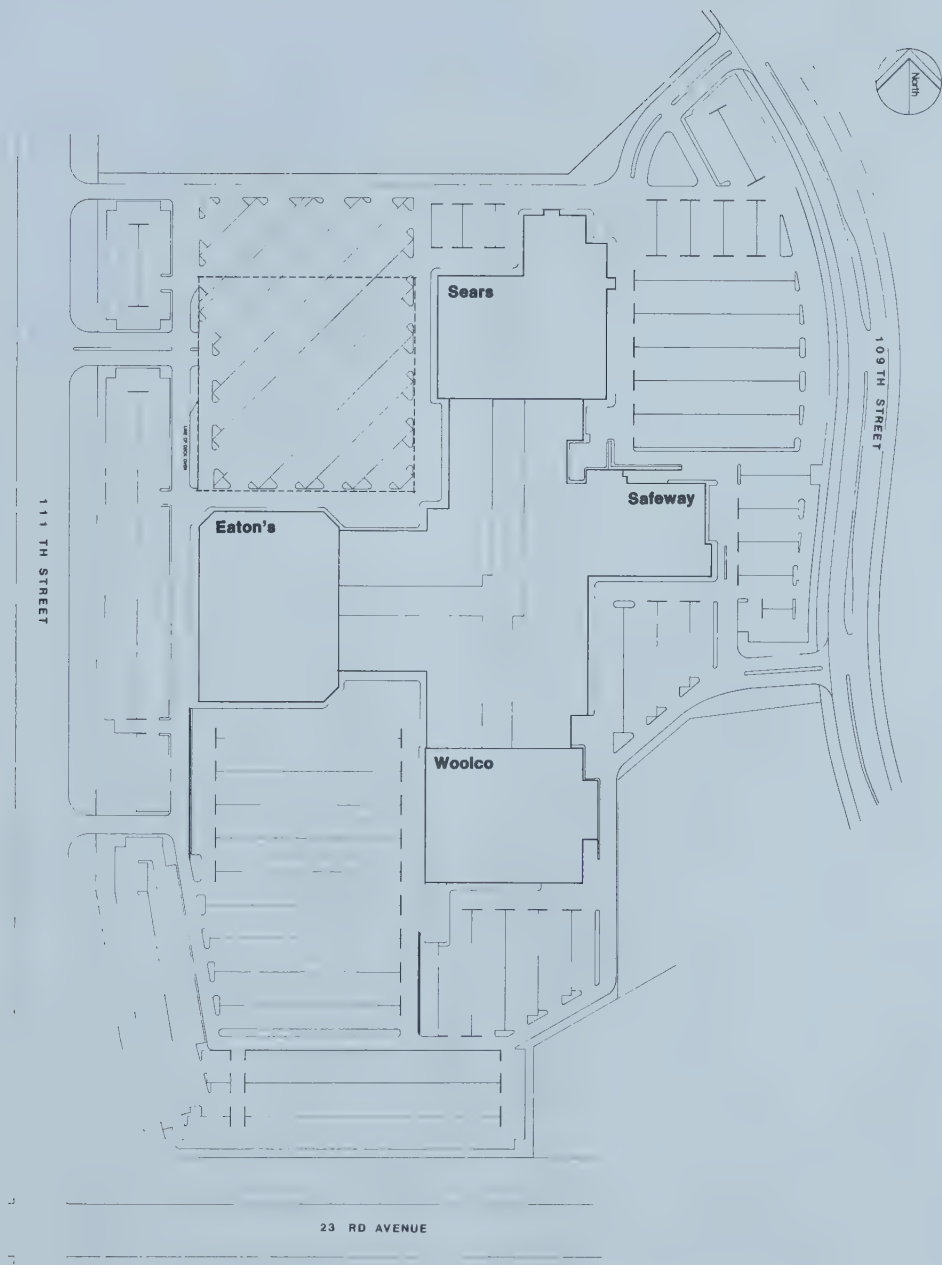
B. James Wensley & Associates Architects Ltd. of Edmonton, Alberta have been retained as architects for Heritage Mall. They have had considerable experience in the design and construction of shopping centres in Canada, most recently, Coquitlam Centre near Vancouver, British Columbia which opened to the public in August, 1979.

Eaton's and Sears will retain their own architects to design and supervise construction of their stores.

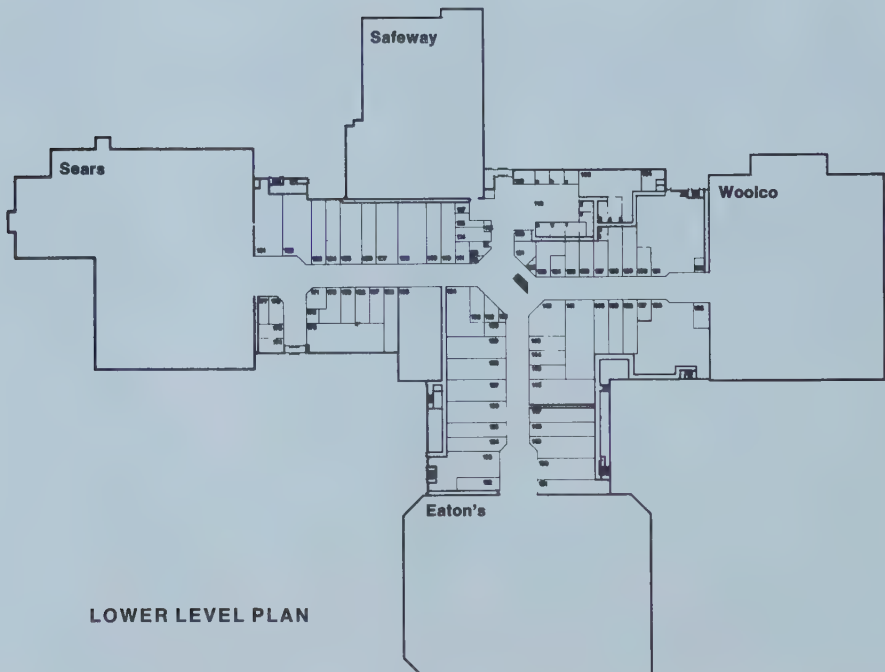
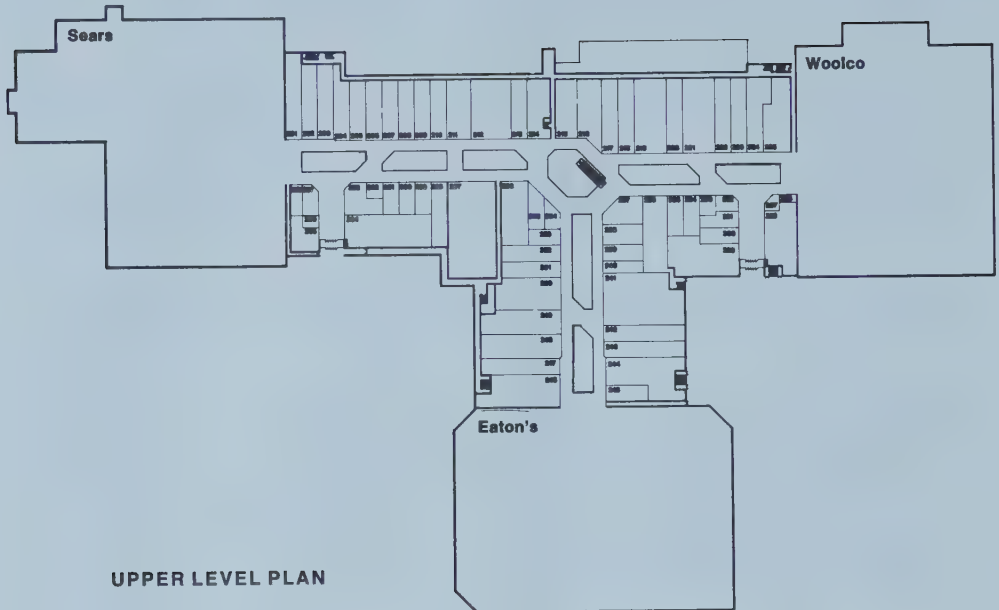
The Partnership will contract with PCL Construction Ltd. (formerly known as Poole Construction Ltd.) for the construction of Heritage Mall. Although letters have been exchanged, no construction contract has been signed. PCL Construction Ltd. has had considerable experience in the construction of regional shopping centres. Eaton's has also selected PCL Construction Ltd. and Sears has selected Ellis-Don Ltd. to construct the stores to be leased by them respectively. The Partnership will pay the construction costs incurred by Eaton's and Sears but the rents payable by them will be a function of such costs.



Site Plan—Heritage Mall



## Mall Plan—Heritage Mall



## Tenancies

### *Planned Allocation of Space*

The following table shows the planned allocation of space in Heritage Mall:

| <u>Tenant</u>  | <u>% of total<br/>mall retail<br/>store space</u> | <u>approximate area<br/>(in square feet)</u> |
|--|---|--|
| Eaton's department store (2 levels)  |   | 164,400                                      |
| Sears department store (2 levels)  |   | 152,300                                      |
| Woolco department store (2 levels)   |   | 142,600                                      |
| Safeway supermarket (1 level)  |   | 47,800                                       |
| Mall retail stores (2 levels)  |   |  |
| Fashion (women's wear, men's wear, unisex<br>fashion, fashion accessories) | 37.5  | 102,040                                      |
| Family apparel   | 5.5   | 14,950                                       |
| Shoes  | 7.9   | 21,390                                       |
| Jewellery  | 4.0   | 10,870                                       |
| Food (specialty food, food fair, restaurants)                              | 5.8   | 15,770                                       |
| Financial (bank, trust company, insurance)                                 | 4.4   | 12,000                                       |
| Specialty retail   | 32.7  | 88,900                                       |
| Services   | 2.2   | 5,980  |
| Total mall retail stores   | 100.0   | 271,900                                      |
| Total rentable area  |   | 779,000                                      |
| Public mall, maintenance and service areas                                 |   | 135,500                                      |
| Total area   |   | 914,500                                      |

### *Leases*

Letter agreements to lease a department store in Heritage Mall have been finalized and signed with each of The T. Eaton Company Limited, Simpsons-Sears Limited and F. W. Woolworth Co. Limited. On July 9, 1980, a lease for a food supermarket was entered into with Canada Safeway Limited.

#### *Eaton's*

The lease will be entered into with The T. Eaton Company Limited. The term of the lease will be 35 years and will be renewable at the option of Eaton's for six consecutive ten year periods at a fixed reduced rental rate. Eaton's will not be obligated to open its department store until April 1982; however, the Eaton's department store is presently under construction and could be completed and open to the public in August, 1981. The term of the lease will commence on the earlier of (i) the date Eaton's opens for business, and (ii) 12 weeks after the Eaton's department store is substantially complete unless that date is between October 15 and February 15 in which case Eaton's shall open in the calendar week following February 15. Eaton's may terminate the lease if the Shopping Centre has not opened for business by October 1, 1984.

Eaton's will be obligated to pay rent from the later of (i) the commencement of the term, and (ii) when one department store and the food supermarket and 65% in number of the mall retail store tenants are open for business and the common areas are available for public use. Eaton's will be obligated to pay a fixed monthly rent plus a proportionate share (subject to certain limitations) of common area maintenance costs and taxes. The base rent to be paid by Eaton's will be a function of cost and when determined will be fixed for the initial term, subject to reduction to a certain extent if long term financing for Heritage Mall is obtained at lower than a stipulated interest rate or if, in the tenth year of the term, long term bond yields are less than a certain rate or if, as a result of an equity financing, Daon owns more than a 61% interest in the Partnership.

Eaton's will pay for all utilities, heating, ventilating, air conditioning, insurance and taxes attributable to the leased premises and will be responsible for the maintenance, including structural maintenance, of its premises. Eaton's will be required to make annual contributions to the promotion fund, subject to certain limitations.

Eaton's will covenant to operate or cause the premises to be operated as a typical Eaton's conventional department store appropriate to the market.



The Eaton's store may be expanded laterally and/or vertically up to 240,000 rentable square feet in total with additional related parking. Any costs incurred by the Partnership in connection therewith will be paid to the Partnership in a lump sum payment or, if an amount of increased rent is agreed upon, by increased monthly rent payments.

#### Sears

The lease will be entered into with Simpsons-Sears Limited. The term of the lease will be 35 years and will be renewable at the option of Sears for six consecutive ten year periods at a fixed reduced rental rate. The term of the lease will commence on the earlier of (i) the date on which Sears opens for business, and (ii) on the earliest date upon which the Shopping Centre and the Sears department store have been constructed and Woolco, any food supermarket and at least 65% of the rentable shopping centre space to be occupied by mall retail store tenants (exclusive of tenants located in the mall leading from Eaton's to the central court of Heritage Mall) have opened, or are ready to open for business, but not between November 1 and the last day of February in any year.

Sears will be obligated to pay a fixed annual rent (determined as a function of cost) in monthly instalments from the commencement of the term which rent increases by an agreed amount in the sixteenth year of the term. Sears is obligated to pay a proportionate share (subject to certain limitations) of common area maintenance costs and common area taxes.

Sears will pay for all utilities, heating, ventilating, air conditioning, insurance and taxes attributable to the leased premises and will be responsible for the maintenance, including structural maintenance, of its premises. Sears will be required to make annual contributions to the promotion fund, subject to certain limitations.

Sears will covenant to cause the leased premises to be operated as an integrated retail department store.

#### Woolco

The lease will be entered into with F.W. Woolworth Co. Limited. The term of the lease will be approximately 20 years commencing on August 1, 1981 and, at the option of Woolco, will be renewable for five consecutive five year periods. Woolco may terminate the lease prior to the expiration of a term if: (i) Daon fails to exhibit to Woolco, at the request of Woolco, agreements to lease of Safeway and Sears, or (ii) the leased premises have not been delivered to Woolco, or Sears or Safeway have not opened for business by August 1, 1982.

Woolco will be obligated to pay rent from the earlier of the date when Woolco opens for business and 60 days after delivery of the leased premises to Woolco provided that Sears, and Safeway and other tenants occupying in the aggregate at least 180,000 rentable square feet of shopping centre space and representing a specific cross-section of mall retail store tenants have opened for business. Woolco will be obligated to pay an annual fixed minimum rent and in addition, a percentage rent based on gross sales in excess of a certain minimum amount.

Rent will abate if the leased premises are delivered at any time between October 1 and January 31 in any year until the earlier of the next March 1 and the date when Woolco opens its premises for business.

Woolco will pay for all utilities, heating, ventilating, air conditioning, and taxes attributable to its premises as well as a proportionate share (subject to certain limitations) of common area maintenance costs and common area taxes. Woolco will be responsible for the maintenance of its store except exterior and structural maintenance.

Woolco may, without the Partnership's consent, assign the lease to a subsidiary or sublet any part of the leased premises (except to a supermarket or a bank which is not presently a tenant in Heritage Mall) so long as Woolco remains liable under the lease. In any other case, the Partnership's consent must be obtained.

### Safeway

A lease was entered into between Daon and Canada Safeway Limited on July 9, 1980 and has been assigned by Daon to the Partnership. The term of the lease is approximately 20 years and is renewable at the option of Safeway for six consecutive five year periods. The term of the lease will commence on the date Safeway is open for business and will terminate August 18, 2001; however Safeway need not open for business unless Woolco, Sears and mall retail store tenants occupying 97,500 square feet of mall retail store space have entered into leases or binding agreements to lease. Safeway may terminate the lease prior to the expiration of a term if: (i) the leased premises are not ready for occupancy within 90 days of August 19, 1981, unless such delay is by reason of force majeure or by September 1, 1982 for whatever reason; or (ii) if either Sears or Woolco cancels its lease on grounds unavailable to Safeway under its lease and a replacement tenant has not opened for business within 180 days of the cancellation of such lease.

Safeway is obligated to pay rent from the earlier of the commencement of the term of the lease or the date Safeway opens for business. Safeway is obligated to pay a fixed monthly minimum rent and in addition, a percentage rent based on gross sales in excess of a certain minimum amount.

Safeway will pay for all utilities, heating, ventilating, air conditioning, insurance and taxes attributable to its store as well as a full proportionate share of common area maintenance costs and common area taxes. Safeway is responsible for the maintenance of its store except exterior and structural maintenance. Safeway is required to make an annual contribution to the promotion fund, subject to certain limitations.

The lease with Safeway prohibits the premises from being used except as a commercial supermarket. Safeway may assign its lease or sublet its premises and when assigning its lease or subletting its premises, must first offer to surrender its lease. Unless the Partnership accepts such surrender, Safeway continues to be liable following the assignment or subletting.

### Mall Retail Stores

A description of the typical mall retail store lease is set forth under "Mall Retail Store Lease". This form, with certain modifications in individual cases, will be used for all mall retail space in Heritage Mall.

### **Planning Approvals**

A development agreement was entered into with the City of Edmonton on October 3, 1978. The development permit "to construct a shopping centre" was approved by the City of Edmonton on February 29, 1980. A building permit (subject to certain limitations) for the mall retail store area, the Safeway food supermarket and the Woolco department store was issued July 31, 1980. Building permits for the Sears and Eaton's department stores will be issued as construction schedules require.

### **Development Costs**

The amount of Development Costs estimated to be incurred in connection with the development, construction, initial leasing and interim financing of Heritage Mall is set forth under "Development Costs".

**HERITAGE MALL**  
**PROJECTED INCOME FROM OPERATIONS**

(IN \$000)  
Years ending December 31,

| NOTES                                   | 1981    | 1982     | 1983     | 1984     | 1985     | 1986     | 1987     | 1988     | 1989     | 1990     | 1991     | 1992     | 1993     | 1994     | 1995     | 1996     | 1997     |
|---|---------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Revenue                                 |         |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |
| Base rent                               | \$3,348 | \$ 9,130 | \$ 9,130 | \$ 9,267 | \$ 9,271 | \$ 9,292 | \$ 9,543 | \$ 9,565 | \$ 9,565 | \$ 9,584 | \$ 9,588 | \$15,970 | \$15,970 | \$15,970 | \$15,970 | \$15,970 | \$24,332 |
| Percentage rent                         | (2)     | 32       | 116      | 255      | 508      | 908      | 1,396    | 2,163    | 3,031    | 4,016    | 5,144    | 1,056    | 2,074    | 3,414    | 5,004    | 6,818    | 1,707    |
| Recoveries                              | (3)     | 894      | 2,644    | 2,853    | 3,083    | 3,331    | 3,604    | 4,202    | 4,532    | 4,889    | 5,273    | 5,689    | 6,139    | 6,629    | 7,138    | 7,733    | 8,353    |
| Vacancy allowance                       | (4)     | (43)     | (118)    | (120)    | (125)    | (130)    | (139)    | (153)    | (169)    | (187)    | (207)    | (229)    | (275)    | (296)    | (322)    | (354)    | (450)    |
| Total revenue                           | 4,199   | 11,688   | 11,979   | 12,480   | 12,980   | 13,665   | 14,686   | 15,761   | 16,941   | 18,282   | 19,776   | 22,440   | 23,887   | 25,691   | 27,778   | 30,131   | 33,942   |
| Operating Expenses                      |         |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |
| Heating, ventilation & air conditioning | (5)     | 60       | 192      | 221      | 254      | 292      | 336      | 386      | 425      | 468      | 514      | 566      | 622      | 684      | 753      | 828      | 911      |
| Common area maintenance                 | (6)     | 257      | 761      | 822      | 888      | 959      | 1,036    | 1,119    | 1,208    | 1,305    | 1,409    | 1,522    | 1,644    | 1,775    | 1,917    | 2,070    | 2,236    |
| Property taxes                          | (7)     | 432      | 1,280    | 1,382    | 1,493    | 1,612    | 1,741    | 1,880    | 2,030    | 2,192    | 2,367    | 2,556    | 2,760    | 2,980    | 3,218    | 3,475    | 3,753    |
| Property management fees                | (8)     | 55       | 150      | 151      | 156      | 160      | 167      | 179      | 192      | 206      | 222      | 241      | 281      | 295      | 317      | 343      | 372      |
| Non-recoverable expenses                | (9)     | 25       | 70       | 75       | 83       | 90       | 97       | 104      | 112      | 121      | 131      | 141      | 152      | 163      | 176      | 190      | 205      |
| Total operating expenses                |         | 829      | 2,453    | 2,651    | 2,874    | 3,113    | 3,377    | 3,668    | 3,967    | 4,292    | 4,643    | 5,026    | 5,459    | 5,897    | 6,381    | 6,906    | 7,477    |
| Income from operations                  |         | \$3,370  | \$ 9,235 | \$ 9,328 | \$ 9,606 | \$ 9,867 | \$10,288 | \$11,018 | \$11,794 | \$12,649 | \$13,639 | \$14,750 | \$16,981 | \$17,990 | \$19,310 | \$20,872 | \$25,826 |

**Notes & Assumptions:**

- (1) Base rental rates at lease renewal dates are assumed to increase by 8% compounded annually, except for the Major Tenants. No assumption has been made for income to be generated if Heritage Mall is expanded.
- (2) Percentage rent is a derivative of estimated sales per square foot for individual mall retail stores in 1982 (as determined by Daon upon assumptions it considers reasonable and consistent with industry performance) and certain escalation factors and assumptions: see "Projected Increase in Sales."
- (3) Leases provide for the recovery of certain expenses from the Major Tenants. The remaining recoverable costs are recovered from the mall retail stores. Included in recoveries is a straight line depreciation for common area equipment and amortization of heating, ventilating and air conditioning equipment costs, and an administration fee of 15% of common area maintenance and heating, ventilating and air conditioning expense.
- (4) Vacancy allowance is 2% of the base and percentage rent due from the mall retail stores.
- (5) Heating, ventilating and air conditioning costs are assumed to increase by 15%, compounded annually, for years 1982-1986 and at 10%, compounded annually, thereafter.
- (6) Common area maintenance costs are assumed to increase at 8% compounded annually.
- (7) Property taxes are assumed to increase at 8% compounded annually.
- (8) A property management fee paid by the Partnership to Daon Management Ltd. is equal to 1.63% of gross rental revenue (2.5% of the portion of the share of gross rental revenue to which Partners holding Class A Units are notionally entitled).
- (9) Included in non-recoverable expenses is a reserve for structural repairs of 2½¢ per square foot assumed to increase at 8% compounded annually, and promotion fund contributions equal to 25% of tenant contributions, assumed to increase at 8% compounded annually.

The above projections are based on assumptions considered reasonable when prepared but which are subject to uncertainty and variation depending on evolving events. There is no representation that the projections will be realized in whole or in part.



## **BOWER PLACE SHOPPING CENTRE**

Bower Place Shopping Centre will be an enclosed regional shopping centre containing approximately 435,000 rentable square feet of shopping centre space located on a 34.5-acre site in the southern portion of the City of Red Deer, Alberta.

### **Red Deer**

Red Deer is centrally located in the Province of Alberta midway between the cities of Edmonton and Calgary on Highway 2, the main north-south route in Alberta, and serves as the administrative and service centre for the surrounding rural municipalities. Economic growth in Red Deer accelerated in 1975 when the Alberta Gas Ethylene Co. began construction of a \$350 million ethylene plant just east of the city. From 1971 to 1980 Red Deer's population increased from 30,000 persons to over 40,000 persons. The current rate of growth is over 8.0% per year and this rate is expected to continue.

The City of Red Deer has been promoting its 185 acre industrial park, two-thirds of which is now occupied by 220 businesses, employing 5,500 persons, and is planning a second industrial park for 1983. The City's building permits reached a value of \$104.4 million by 1978, primarily in the residential construction sector, increasing from a value ranging between \$5 to \$15 million in the years 1967 to 1973. There were approximately 1,400 housing starts in 1979. In addition to commercial development in the downtown area, the hospital facilities are undergoing a \$56 million expansion, a convention facility has just been completed, the expansion of four hotels is planned and a new airport terminal and expanded runway facilities are in the planning stage.

Red Deer's broadening industrial base will lead to a more diversified economy and, with the significant projected increases in population, will result in an increase in income and expenditure levels in the area.

### **Trade Area**

The entire trade area for Bower Place Shopping Centre (inside front cover) contains a population which totalled 109,000 persons in 1976, has grown to 130,000 persons in 1980 and is expected to continue to grow to approximately 154,000 persons in 1986. The largest portion of this growth has occurred and is expected to continue to occur in Red Deer and vicinity (the primary trade area) the population of which has grown from 46,000 persons in 1976 to 60,000 persons in 1980 and is projected to be 75,000 persons in 1986.

### **Location and Site**

Bower Place Shopping Centre is located on Highway 2A, the major north-south axis in Red Deer, and in close proximity to Highway 2, the major north-south highway between Calgary and Edmonton and the principal means of road access for residents of rural areas surrounding Red Deer. The 34.5 acre site in the southern part of Red Deer is easily accessible to all parts of the City. The site is bounded on the west by Gaetz Avenue (Highway 2A), on the north by 28th Street, on the East by Barrett Drive and on the south by Bennett Street. Access to Bower Place Shopping Centre will be provided from all four boundary roads.

### **Retail Competition for Bower Place Shopping Centre**

The only other regional shopping centre in Red Deer is Parkland Mall, located three miles north of Bower Place Shopping Centre, which includes a Sears department store, a Woolco department store and a Safeway food supermarket.

There is an existing Bay department store of approximately 77,000 square feet in downtown Red Deer.

It is expected that Eaton's department store (33,000 square feet) in downtown Red Deer will close upon the opening of its department store at Bower Place Shopping Centre.

### Projected Growth in Retail Sales

The following table (derived from a study provided to Daon by Larry Smith & Associates Ltd.) illustrates the projected percentage growth in retail sales in the Bower Place Shopping Centre Trade Area for the period 1980 to 1986:

|   | percentage growth over 1980 |      |      |
|---|-----------------------------|------|------|
|   | 1982                        | 1984 | 1986 |
| Projected total Trade Area retail sales growth  | 26.4                        | 53.9 | 82.2 |
| The following factors are included in the calculation of projected total Trade Area retail sales growth:                    |                             |      |      |
| Increase resulting from projected population growth in Trade Area Primary Zone  | 9.8                         | 18.3 | 25.1 |
| Increase resulting from projected population growth in Trade Area Secondary Zone  | 4.7                         | 8.7  | 12.3 |
| Increase resulting from inflation rate of 7.5% per annum and increase in the standard of living projected at 1.5% per annum | 18.0                        | 36.0 | 54.0 |

### Projected Increase in Sales

Percentage rent results when the percentage (as set forth in each mall retail store lease) of gross annual sales of a mall retail store exceeds the annual base rent as provided for in the lease of such store.

Sales per square foot are assumed to increase as a result of market growth (based on population projections for the Bower Place Shopping Centre Trade Area), market penetration (transfer of sales from existing trade area retail facilities due to changing shopping patterns), inflation and real income growth. The projected increase in percentage rents for the mall retail store tenants at Bower Place Shopping Centre have been calculated by Daon on the basis of projected increases in sales per square foot by such stores over projected sales per square foot in 1982 as a result of the following factors:

|   | (percentage per annum increase, compounded annually, over 1982) |      |      |      |      |      |      |      |      |           |
|---|---|------|------|------|------|------|------|------|------|-----------|
|   | 1983  | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992-1997 |
| Projected increase in sales   | 19.0  | 16.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0      |
| The following factors are included in the calculation of projected increase in sales: |   |      |      |      |      |      |      |      |      |           |
| Market growth   | 4.0   | 3.2  | 3.2  | 3.2  | 3.0  | 3.0  | 2.7  | 2.7  | 2.7  | 2.5       |
| Market penetration  | 5.0   | 3.0  | —    | —    | —    | —    | —    | —    | —    | —         |
| Inflation   | 7.5   | 7.5  | 7.5  | 7.5  | 7.5  | 7.5  | 7.5  | 7.5  | 7.5  | 7.5       |
| Real income growth  | 1.5   | 1.5  | 1.5  | 1.5  | 1.5  | 1.5  | 1.5  | 1.5  | 1.5  | 1.5       |

The amount of sales per square foot for each mall retail store in 1982 was determined by Daon upon assumptions that it considers reasonable and consistent with industry performance. The foregoing factors have been formulated by Daon, in part, on the basis of independent studies prepared for Daon by Larry Smith & Associates Ltd. and by Urbanics Consultants Ltd. and, in part, on the basis of other sources Daon considers to be reliable.

### Description of Bower Place Shopping Centre

Bower Place Shopping Centre will be an enclosed regional shopping centre containing approximately 500,000 square feet of gross building area. The total rentable shopping centre space will be approximately 435,000 square feet complemented by approximately 65,000 square feet of enclosed public mall, maintenance and service areas. Parking spaces for 2,400 automobiles (5.5 spaces for each 1,000 rentable square feet of shopping centre space) will be provided on a paved surface parking lot. Bower Place Shopping Centre will be constructed of structural steel with a cavity wall system and an exterior facing of four inch brick.

Bower Place Shopping Centre will be a single level mall with a two level Eaton's department store. The Shopping Centre has been designed to afford customers a pleasant shopping environment. The interior of the mall will be finished with a high proportion of natural materials such as wood and brick and will enjoy a good supply of natural light from skylights.

The parking areas have been arranged to provide direct access to all parts of Bower Place Shopping Centre.

Heating and air conditioning for the public areas and the retail stores will be provided by individual rooftop units. The department stores and food floor will separately provide heat and air conditioning for their own stores.

Bower Place Shopping Centre is now under construction and is scheduled to be completed and open to the public in May, 1981.

Bower Place Shopping Centre will be anchored by two major department stores; Eaton's, located on two levels, and Woodward's department store and Woodward's food floor; each located on one level complemented by mall retail stores on one level comprising 160,700 rentable square feet. Each department store and the food floor will open onto the enclosed public mall.

The letter agreements with Eaton's and Woodward's provide, in effect, that neither of them may be required to open initially for business between October 15 and March 1 although the agreements vary in each case. Generally, the tenant of any store that is not open and that is not obligated to open is not liable to pay rent.

### Architects and Contractors

Waisman, Dewar, Grout of Vancouver, British Columbia have been retained as architects for Bower Place Shopping Centre. They have had considerable experience in the design and construction of shopping centres in Canada. Their projects include: Calgary Market Mall, Calgary, Alberta and Rutherford Village Shopping Centre, Nanaimo, British Columbia.

Eaton's has also retained Waisman, Dewar, Grout to design and supervise construction of its store.

Daon has contracted with Sun Construction Ltd. of Calgary, Alberta, a wholly-owned subsidiary of Eastern Construction Ltd., one of Canada's largest shopping centre construction companies, for the construction of Bower Place Shopping Centre. The benefit of this contract has been assigned to the Partnership. Sun Construction Ltd. is also constructing the Eaton's department store. The Partnership will pay the construction costs incurred by Eaton's but the rent payable by Eaton's will be a function of such costs.

### Tenancies

#### *Planned Allocation of Space*

The following table shows the planned allocation of space in Bower Place Shopping Centre:

| <u>Tenant</u>  | <u>% of total<br/>mall retail<br/>store space</u> | <u>approximate area<br/>(in square feet)</u> |
|--|---|--|
| Eaton's department store (2 levels)  |   | 122,500                                      |
| Woodward's department store (1 level)                                      |   | 111,500                                      |
| Woodward's food floor (1 level)  |   | 40,300                                       |
| Mall retail stores (1 level)   |   |  |
| Fashion (women's wear, men's wear, unisex<br>fashion, fashion accessories) | 35.0  | 56,250                                       |
| Shoes  | 8.5   | 13,650                                       |
| Jewellery  | 5.0   | 8,050  |
| Food (specialty food, food fair, restaurants)                              | 11.8  | 19,000                                       |
| Financial (bank, trust company, insurance)                                 | 5.9   | 9,500  |
| Specialty retail   | 31.6  | 50,750                                       |
| Services   | 2.2   | 3,500  |
| Total mall retail stores   | 100.0   | 160,700                                      |
| Total rentable area  |   | 435,000                                      |
| Public mall, maintenance and service areas                                 |   | 65,000                                       |
| Total area   |   | 500,000                                      |



## *Leases*

Letter agreements to lease a department store in Bower Place Shopping Centre have been finalized and signed with each of The T. Eaton Company Limited and Woodward Stores (Alberta) Limited.

### Eaton's

The lease will be entered into with The T. Eaton Company Limited and will contain provisions similar to those to be contained in the Eaton's lease described under "Heritage Mall" except that the Eaton's lease for space in Bower Place Shopping Centre will provide for seven consecutive renewal periods instead of six and for expansion of up to 210,000 rentable square feet in total including an expansion of the lower floor to a maximum of 105,000 square feet.

### Woodward's

The lease will be entered into with Woodward Stores (Alberta) Limited. The term of the lease will be 35 years and will be renewable at the option of Woodward's for seven consecutive ten year periods at a fixed reduced rental rate. The term of the lease will commence on the earlier of (i) the date on which the Woodward's department store and the Woodward's food floor open for business, and (ii) 18 weeks after the date the Woodward's department store and Woodward's food floor are substantially complete, unless that date is between October 31 and March 1, but Woodward's is not obligated to open until (i) Eaton's and mall retail store tenants occupying at least 65% of the rentable shopping centre space to be occupied by mall retail store tenants have opened, or are ready to open, for business, (ii) the common areas are substantially complete, and (iii) access to the Shopping Centre is completed and available for public use.

Woodward's will be obligated to pay a fixed annual rent from the commencement of the term and a proportionate share of common area maintenance costs and taxes.

Woodward's will pay for all utilities, heating, ventilating, air conditioning, insurance and taxes attributable to the leased premises and is responsible for the maintenance of its premises except for structural repairs. Woodward's will also be required to make an annual contribution to the promotion fund, subject to certain limitations.

Woodward's will use the premises of the Woodward's department store and the Woodward's food floor during the term of the lease in the active conduct of its department store and food store business, subject to the assignment by Woodward's to a purchaser of substantially all of the Woodward's department store and/or food store operations in the Province of Alberta.

The Woodward's department store may be expanded vertically by adding a second level of up to 105,000 square feet, and the Woodward's food floor may be expanded horizontally by adding up to 10,000 square feet, in each case, with additional related parking. Woodward's will pay the costs of expansion and there will be no increase in rental payments.

### Mall Retail Stores

A description of the typical mall retail store lease is set forth under "Mall Retail Store Lease". This form, with certain modifications in individual cases, will be used for all mall retail space in Bower Place Shopping Centre.

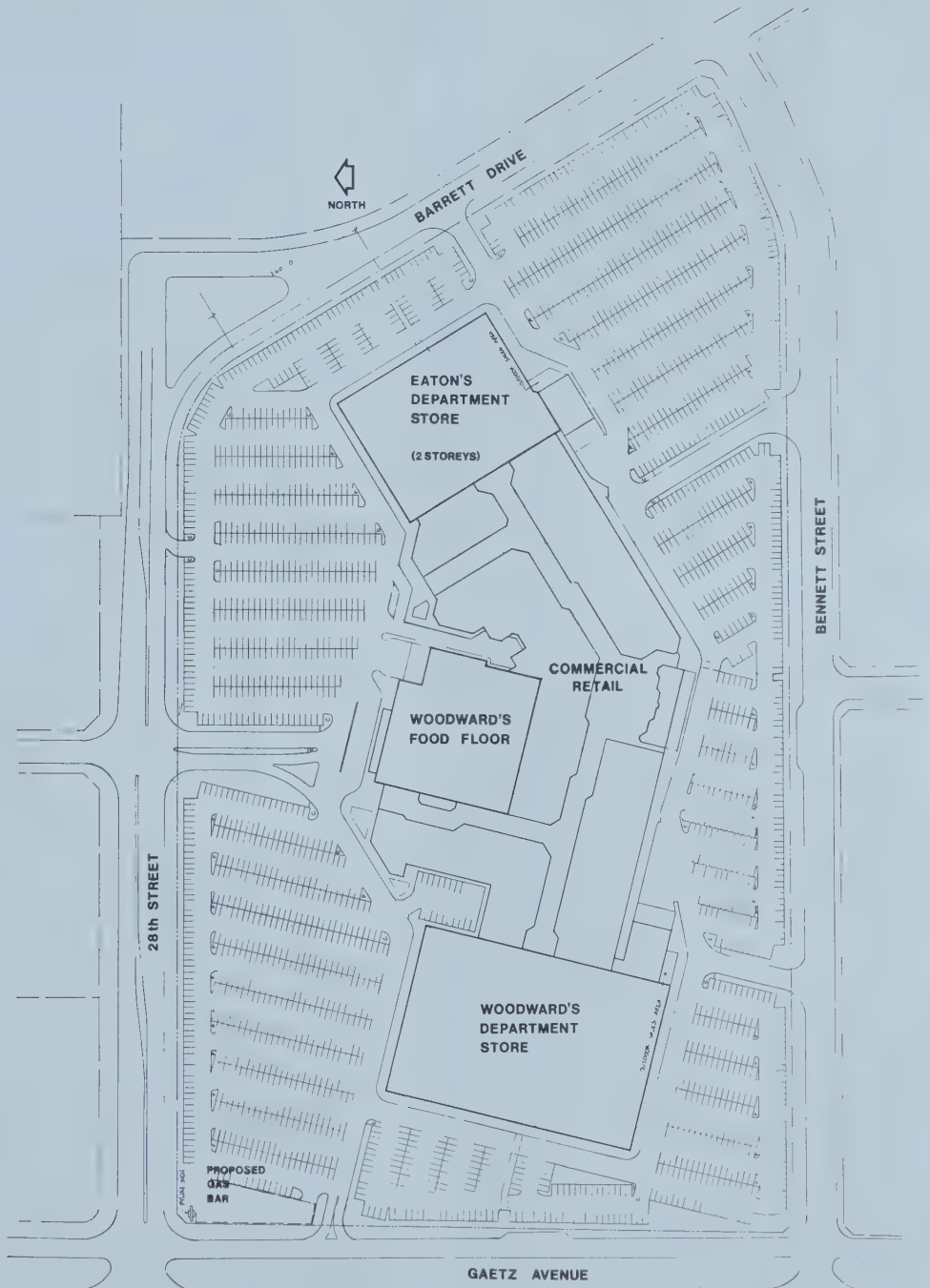
## **Planning Approvals**

Daon's proposal for a regional shopping centre was accepted by the City of Red Deer on December 10, 1979. A development permit was issued on April 8, 1980 and a building permit was approved on April 23, 1980.

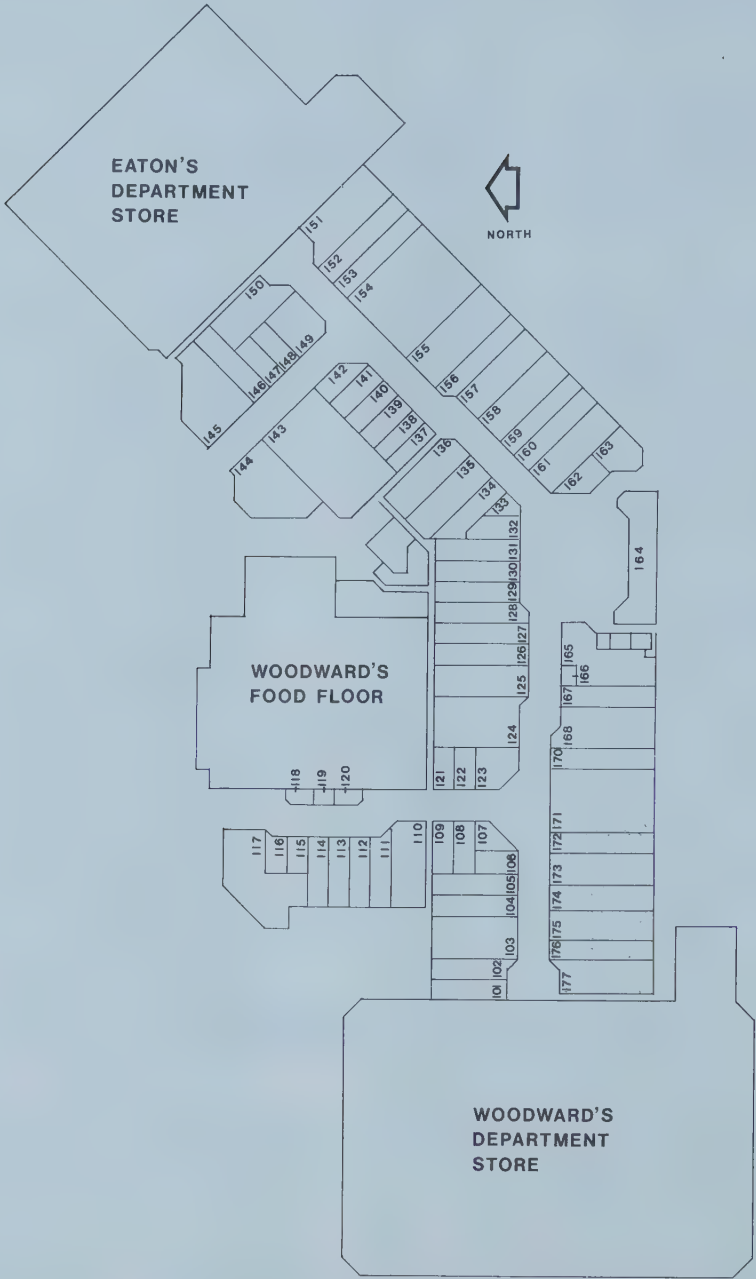
## **Development Costs**

The amount of Development Costs estimated to be incurred in connection with the development, construction, initial leasing and interim financing of Bower Place Shopping Centre is set forth under "Development Costs".

# Site Plan—Bower Place Shopping Centre



Mall Plan—Bower Place Shopping Centre





**BOWER PLACE SHOPPING CENTRE**  
**PROJECTED INCOME FROM OPERATIONS**  
(IN \$000)

Years ending December 31,

| NOTES                                   | 1981 | 1982    | 1983    | 1984    | 1985    | 1986    | 1987    | 1988    | 1989    | 1990    | 1991    | 1992    | 1993    | 1994    | 1995     | 1996     | 1997     |
|---|------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|----------|----------|
| Revenue                                 |      |         |         |         |         |         |         |         |         |         |         |         |         |         |          |          |          |
| Base rent                               | (1)  | \$2,938 | \$4,700 | \$4,787 | \$4,787 | \$4,790 | \$4,877 | \$4,879 | \$4,879 | \$4,884 | \$4,884 | \$4,884 | \$4,884 | \$4,884 | \$4,884  | \$4,884  | \$4,884  |
| Percentage rent                         | (2)  | —       | 24      | 76      | 160     | 292     | 512     | 754     | 1,134   | 1,602   | 2,145   | 2,767   | 454     | 1,065   | 1,836    | 2,755    | 3,835    |
| Recoveries                              | (3)  | 849     | 1,472   | 1,586   | 1,711   | 1,847   | 1,994   | 2,155   | 2,322   | 2,501   | 2,696   | 2,908   | 3,135   | 3,382   | 3,651    | 3,939    | 4,252    |
| Vacancy allowance                       | (4)  | (40)    | (64)    | (65)    | (68)    | (71)    | (75)    | (82)    | (90)    | (99)    | (110)   | (122)   | (151)   | (163)   | (178)    | (196)    | (218)    |
| Total revenue                           |      | 3,747   | 6,132   | 6,297   | 6,590   | 6,855   | 7,221   | 7,704   | 8,245   | 8,883   | 9,615   | 10,437  | 12,031  | 12,877  | 13,902   | 15,091   | 16,462   |
| Operating Expenses                      |      |         |         |         |         |         |         |         |         |         |         |         |         |         |          |          |          |
| Heating, ventilating & air conditioning | (5)  | 44      | 82      | 94      | 108     | 125     | 143     | 165     | 182     | 200     | 220     | 242     | 266     | 292     | 322      | 354      | 389      |
| Common area maintenance                 | (6)  | 232     | 404     | 436     | 471     | 509     | 550     | 594     | 642     | 693     | 748     | 808     | 873     | 943     | 1,018    | 1,099    | 1,187    |
| Property taxes                          | (7)  | 412     | 717     | 774     | 836     | 903     | 975     | 1,053   | 1,137   | 1,228   | 1,326   | 1,432   | 1,546   | 1,670   | 1,804    | 1,948    | 2,104    |
| Property management fees                | (8)  | 48      | 77      | 78      | 81      | 83      | 87      | 92      | 98      | 106     | 115     | 125     | 148     | 158     | 170      | 185      | 203      |
| Non-recoverable expenses                | (9)  | 29      | 49      | 53      | 57      | 61      | 65      | 71      | 77      | 83      | 90      | 97      | 104     | 112     | 121      | 131      | 141      |
| Total operating expenses                |      | 765     | 1,329   | 1,435   | 1,553   | 1,681   | 1,820   | 1,975   | 2,136   | 2,310   | 2,499   | 2,704   | 2,937   | 3,175   | 3,435    | 3,717    | 4,024    |
| Income from operations                  |      | \$2,982 | \$4,803 | \$4,862 | \$5,037 | \$5,174 | \$5,401 | \$5,729 | \$6,109 | \$6,573 | \$7,116 | \$7,733 | \$9,094 | \$9,702 | \$10,467 | \$11,374 | \$14,146 |

**Notes & Assumptions:**

- (1) Base rental rates at lease renewal dates are assumed to increase by 8% compounded annually, except for the Major Tenants. No assumption has been made for income to be generated if Bower Place Shopping Centre is expanded.
- (2) Percentage rent is a derivative of estimated sales per square foot for individual mall retail stores in 1982 (as determined by Daon upon assumptions it considers reasonable and consistent with industry performance) and certain escalation factors and assumptions; see "Projected Increase in Sales".
- (3) Leases, provide for the recovery of certain expenses from the Major Tenants. The remaining recoverable costs are recovered from the mall retail stores. Included in recoveries is a straight line depreciation for common area equipment; and amortization of heating, ventilating and air conditioning equipment costs, and an administration fee of 15% of common area maintenance and heating, ventilating and air conditioning expense.
- (4) Vacancy allowance is 2% of the base and percentage rent due from the mall retail stores.
- (5) Heating, ventilating and air conditioning costs are assumed to increase by 15%, compounded annually, for years 1982-1986 and at 10%, compounded annually, thereafter.
- (6) Common area maintenance costs are assumed to increase at 8% compounded annually.
- (7) Property taxes are assumed to increase at 8% compounded annually.
- (8) A property management fee paid by the Partnership to Daon Management Ltd. is equal to 1.63% of gross rental revenue (2.5% of the portion of the share of gross rental revenue to which Partners holding Class A Units are notionally entitled).
- (9) Included in non-recoverable expenses is a reserve for structural repairs of 2½¢ per square foot assumed to increase at 8% compounded annually, and promotion fund contributions equal to 25% of tenant contributions, assumed to increase at 8% compounded annually.

The above projections are based on assumptions considered reasonable when prepared but which are subject to uncertainty and variation depending on evolving events. There is no representation that the projections will be realized in whole or in part.

## **SUNRIDGE MALL**

Sunridge Mall will be an enclosed two level regional shopping centre containing approximately 645,500 rentable square feet of shopping centre space located on approximately 46 acres, part of a 62.9 acre site, in the northeast portion of the City of Calgary, Alberta.

### **Calgary**

The City of Calgary is one of the fastest growing metropolitan areas in Canada. This growth largely results from the energy industry and its related supportive industries (service, financial, computer). Located in the southwestern part of the Province of Alberta, Calgary is a focal point of major Canadian transportation routes. The Canadian Pacific Railway and the Trans-Canada Highway are the primary east-west rail and road links, and Highway 2 is a multi-lane highway connecting Calgary with Edmonton, to the north.

Calgary contains most of the headquarters of Canada's oil industry and has become a major centre for technical, financial and management services for energy resource exploration and development. It is recognized as the financial centre of Western Canada. The oil and gas industry has prompted development of specialized computer capacity, financial and insurance institutions specializing in oil industry services, transportation and communications enterprises and equipment and supply operations suitable for resource companies. The City has a number of head offices and regional offices for major international companies.

Construction has become a major industry in Calgary; the value of building permits was in excess of \$1.0 billion in 1978 as compared to \$183 million in 1968. For several years there has been more building activity in Calgary than in any other Canadian city. Substantial office space has been constructed in recent years and this space continues to be absorbed by the market. More construction is planned for the future. Agriculture remains a major industry and agricultural products, such as cattle and wheat, and their processing and marketing, represent an important element in Calgary's economy. Manufacturing continues to grow and prosper through serving larger markets.

Calgary has been experiencing rapid growth in recent years. From 1966 to 1980, the population of Calgary increased from approximately 330,000 persons to 560,000 persons. The annual growth rate is presently close to 25,000 persons and it is expected that this rate will continue.

### **Trade Area**

The trade area for Sunridge Mall (inside front cover) was determined based on such factors as: the major tenants in Sunridge Mall, the competitive retail structure in the Calgary market, physical barriers and local and regional access patterns. Included in the trade area is the northeast portion of Calgary, one of the City's major growth areas. The current population has grown to 157,000 persons from a population of 119,000 persons in 1976, and is projected to increase to 190,500 persons by 1986.

### **Location and Site**

Sunridge Mall is situated approximately four miles northeast of the centre of the City of Calgary on 46 acres, part of a 62.9-acre site bounded on the east by 36th Street N.E., on the south by 20th Ave. N.E., on the west by 32nd Street N.E. and lies just to the north of the Trans-Canada Highway. A light rail transit station for the proposed light rail transit system (LRT) is planned for the median on 36th St. N.E..

Access to Sunridge Mall will be provided from all boundary roads and from 26th Avenue N.E. to the north. A fully landscaped pedestrian walkway and a pedestrian overpass to the adjoining residential area and to the proposed LRT station will be constructed by the Partnership.

## Retail Competition for Sunridge Mall

The only regional shopping centre in the Sunridge Mall trade area is the Marlborough Town Centre which includes a Sears department store, a Woolco department store and a Safeway food supermarket. Two community shopping centres (a centre anchored by a limited line or discount department store) are currently located in the northeast Calgary trade area and two community shopping centres are currently under construction in this area. A development permit has been issued for the construction of a regional shopping centre located on the edge of the Sunridge Mall Trade Area with a Bay department store, a Woolco department store and a Safeway supermarket as major tenants.

## Projected Growth in Retail Sales

The following table (derived from a study provided to Daon by Larry Smith & Associates Ltd.) illustrates the projected percentage growth in retail sales in the Sunridge Mall Trade Area for the period 1980 to 1986:

|   | percentage growth over 1980 |      |      |
|---|-----------------------------|------|------|
|   | 1982                        | 1984 | 1986 |
| Projected total retail sales growth   | 27.8                        | 57.2 | 86.8 |
| The following factors are included in the calculation of projected total retail sales growth:                               |                             |      |      |
| Increase resulting from projected population growth   | 8.3                         | 15.6 | 21.3 |
| Increase resulting from inflation rate of 7.5% per annum and increase in the standard of living projected at 1.5% per annum | 18.0                        | 36.0 | 54.0 |

## Projected Increase in Sales

Percentage rent results when the percentage (as set forth in each mall retail store lease) of gross annual sales of a mall retail store exceeds the annual base rent as provided for in the lease of such store.

Sales per square foot are assumed to increase as a result of market growth (based on population projections for the Sunridge Mall Trade Area), market penetration (transfer of sales from existing trade area retail facilities due to changing shopping patterns), inflation and real income growth. The projected increases in percentage rents for the mall retail store tenants in Sunridge Mall have been calculated by Daon on the basis of projected increase in sales per square foot by such stores over projected sales per square foot in 1982 as a result of the following factors:

|   | (percentage per annum increase, compounded annually, over 1982) |      |      |      |      |      |      |      |      |           |
|---|---|------|------|------|------|------|------|------|------|-----------|
|   | 1983  | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992-1997 |
| Projected increase in sales   | 27.0  | 20.0 | 14.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 11.0      |
| The following factors are included in the calculation of projected increase in sales: |   |      |      |      |      |      |      |      |      |           |
| Market growth   | 12.0  | 7.5  | 5.0  | 2.8  | 2.8  | 2.5  | 2.5  | 2.5  | 2.5  | 2.0       |
| Market penetration  | 5.0   | 3.0  | —    | —    | —    | —    | —    | —    | —    | —         |
| Inflation   | 7.5   | 7.5  | 7.5  | 7.5  | 7.5  | 7.5  | 7.5  | 7.5  | 7.5  | 7.5       |
| Real income growth  | 1.5   | 1.5  | 1.5  | 1.5  | 1.5  | 1.5  | 1.5  | 1.5  | 1.5  | 1.5       |

The amount of sales per square foot for each mall retail store in 1982 was determined by Daon upon assumptions that it considers reasonable and consistent with industry performance. The foregoing factors have been formulated by Daon, in part, on the basis of independent studies prepared for Daon by Larry Smith & Associates Ltd. and by Urbanics Consultants Ltd. and, in part, on the basis of other sources Daon considers to be reliable.



## **Description of Sunridge Mall**

Sunridge Mall will be a two level enclosed regional shopping centre containing approximately 791,500 square feet of gross building area. The rentable shopping centre space will be approximately 645,500 square feet complemented by approximately 146,000 square feet of enclosed public mall, maintenance and service areas. Parking spaces for 3,900 automobiles (in excess of 5.5 spaces for each 1,000 square feet of rentable area) will be provided on fully paved and landscaped surface parking areas. Construction will be precast and cast-in-place concrete with four inch exterior brick facing.

Sunridge Mall has been designed to afford customers a pleasant shopping environment. The interior of the mall will be finished with tile and brick, will enjoy a good supply of natural light from skylights and will be extensively landscaped. The mall will be open from the lower level to the roof to allow natural light to penetrate to both shopping levels and to achieve a close inter-relationship between the two levels.

The two levels of the mall will be serviced by an escalator, an elevator and stairs, and escalators and elevators will be located in the department stores.

Air conditioning for the public area and mall retail stores is provided by a central system supplying chilled water to individual fan coiled units and heating will be provided by a peripheral heating system.

Sunridge Mall is now under construction and is scheduled to be completed and open to the public in August, 1981.

Sunridge Mall will be anchored by two major department stores, Eaton's and Woodward's, each on two levels and a Woodward's food floor on one level complemented by two levels of mall retail stores comprising 247,200 rentable square feet. Both levels of the department stores will open onto the enclosed public mall. The merchandise plan for the Shopping Centre places the fashion department for Woodward's on the upper level and for Eaton's on the lower level.

The letter agreements with Eaton's and Woodward's provide, in effect, that neither of them may be required to open initially for business between October 15 and March 1 although the agreements vary in each case. Generally, the tenant of any store that is not open and that is not obligated to open is not liable to pay rent.

## **Expansion of Sunridge Mall**

The site upon which Sunridge Mall is being constructed includes approximately 17 acres of land held by the Partnership for the expansion of Sunridge Mall. This land allows for the construction of a third department store of approximately 160,000 rentable square feet and approximately 50,000 rentable square feet of additional mall retail store space plus associated parking space. This expansion is projected to take place in the period 1986-88. The letter agreements with each of Woodward's and Eaton's provide that this third department store and the associated mall retail store space may be open five years after the opening of Sunridge Mall.

## **Architects and Contractors**

Musson, Cattell and Partners of Vancouver, British Columbia and Chandler, Kennedy Partnership of Calgary, Alberta have been retained as architects for Sunridge Mall. Musson, Cattell and Partners have had considerable experience in the design and construction of shopping centres in Canada; their most recent projects include Seven Oaks in Clearbrook and Cherry Lane in Penticton, British Columbia. Eaton's has also retained Musson, Cattell and Partners to design and supervise the construction of its store.

The Partnership will contract with PCL Construction Ltd. for the construction of the Shopping Centre. Although letters have been exchanged, no construction contract has been signed. Eaton's has selected Sun Construction Ltd. to construct its store. The Partnership will pay the construction costs incurred by Eaton's but the rent payable by Eaton's will be a function of such costs.

## Tenancies

### *Planned Allocation of Space*

The following table shows the planned allocation of space in Sunridge Mall:

| <u>Tenant</u>   | <u>% of total<br/>mall retail<br/>store space</u> | <u>approximate area<br/>(in square feet)</u> |
|---|---|--|
| Eaton's department store (2 levels)                                     |   | 165,300                                      |
| Woodward's department store (including bargain store) (2 levels)        |   | 187,700                                      |
| Woodward's food floor (1 level)   |   | 45,300                                       |
| Mall retail stores (2 levels)   |   |  |
| Fashion (women's wear, men's wear, unisex fashion, fashion accessories) | 34.0  | 84,050                                       |
| Family apparel  | 6.8   | 16,860                                       |
| Shoes   | 7.9   | 19,500                                       |
| Jewellery   | 4.2   | 10,300                                       |
| Food (specialty food, food fair, restaurants)                           | 7.5   | 18,620                                       |
| Financial (bank, trust company, insurance)                              | 4.9   | 12,180                                       |
| Specialty retail  | 31.6  | 78,040                                       |
| Services  | 1.0   | 2,500  |
| Office  | 2.1   | 5,150  |
| Total mall retail stores  | <u>100.0</u>                                      | <u>247,200</u>                               |
| Total rentable area   |   | 645,500                                      |
| Public mall, maintenance and service area                               |   | 146,000                                      |
| Total area  |   | <u>791,500</u>                               |

## *Leases*

Letter agreements to lease a department store in Sunridge Mall have been finalized and signed with each of The T. Eaton Company Limited and Woodward Stores (Alberta) Limited.

### Eaton's

The lease will be entered into with The T. Eaton Company Limited and will contain provisions similar to those to be contained in the Eaton's lease described under "Heritage Mall".

### Woodward's

This lease will be entered into with Woodward Stores (Alberta) Limited and will contain provisions similar to those to be contained in the Woodward's lease described under "Bower Place Shopping Centre" except that the term of Woodward's lease for space in Sunridge Mall will not commence until tenants occupying at least 75% of the mall retail store space are open, or are ready to open, for business. Woodward's will be entitled to expand its department store vertically by adding a third level of 80,000 square feet and to expand its food floor horizontally by adding 10,000 square feet. If Woodward's constructs the expansion of its premises, no additional rent will be payable by Woodward's.

### Mall Retail Stores

A description of the typical mall retail store lease is set forth under "Mall Retail Store Lease". This form, with certain modifications in individual cases, will be used for all mall retail space in Sunridge Mall.

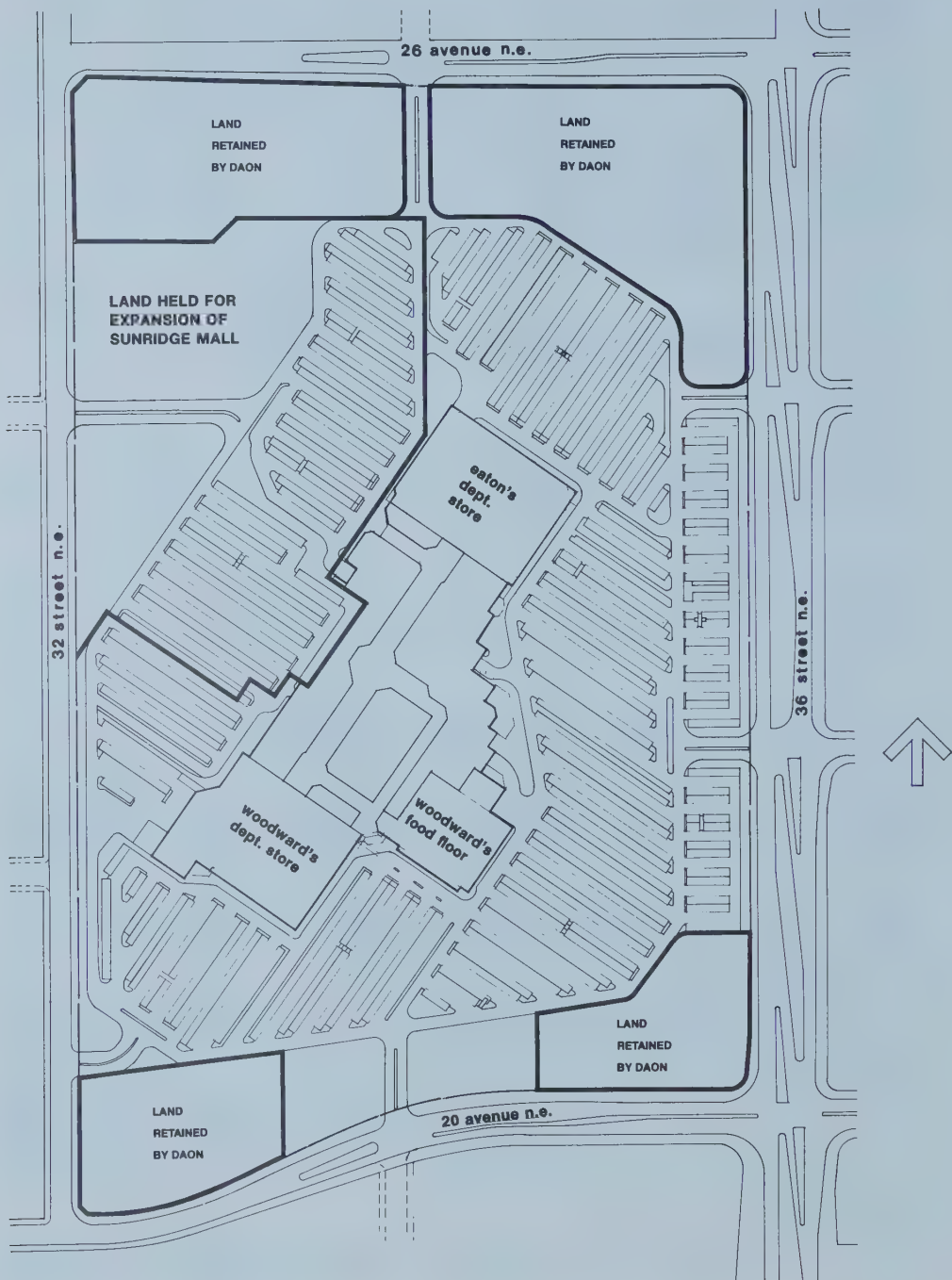
## **Planning Approvals**

A development agreement and land use classification for the construction of a regional shopping centre was entered into between the City of Calgary and Daon on May 30, 1975. A development permit was issued by the City of Calgary on May 29, 1980. The City of Calgary has agreed to accept applications for building permits for the mall retail store area and the department store buildings as construction schedules require.

## **Development Costs**

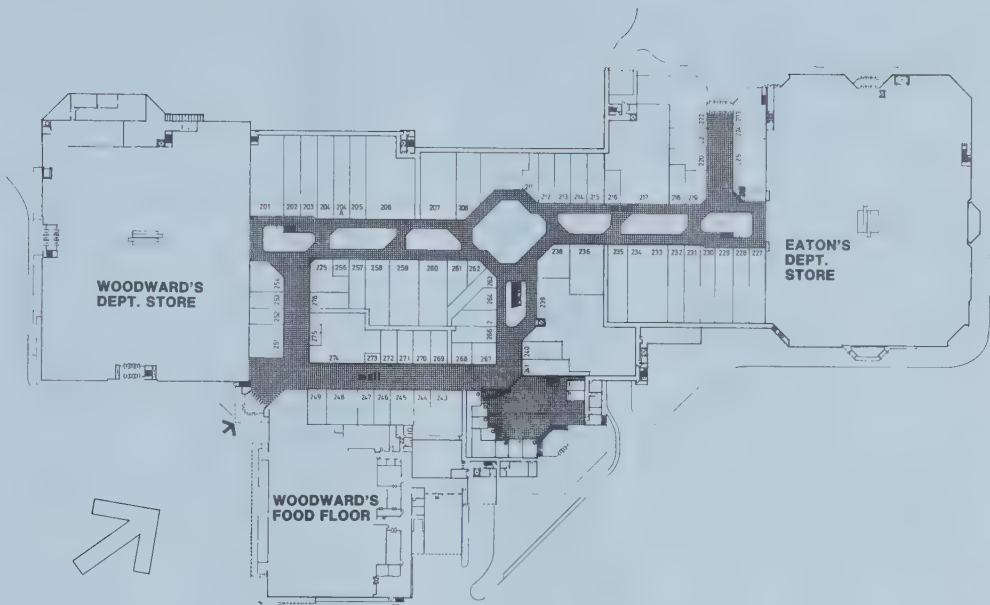
The amount of Development Costs estimated to be incurred in connection with the development, construction, initial leasing and interim financing of Sunridge Mall is set forth under "Development Costs".

Site Plan—Sunridge Mall

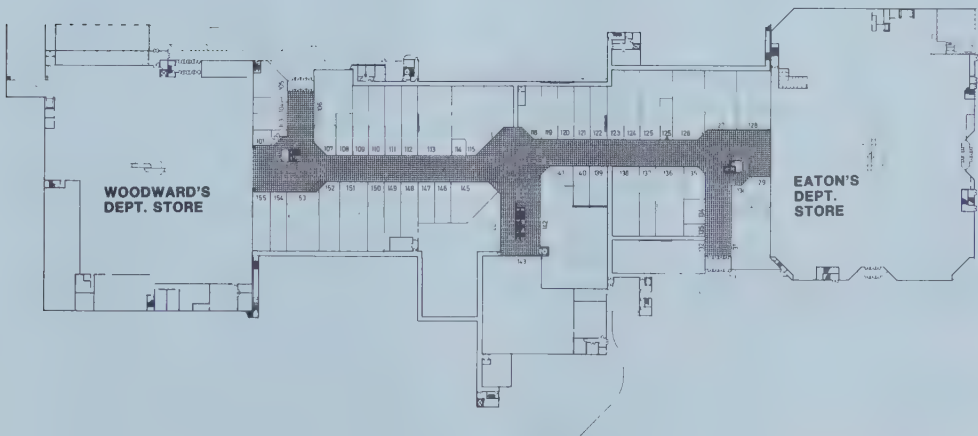




# Mall Plan—Sunridge Mall



UPPER LEVEL PLAN



LOWER LEVEL PLAN

# Projected Income from Operations—Sunridge Mall

## SUNRIDGE MALL PROJECTED INCOME FROM OPERATIONS

(IN \$000)

Years Ending December 31,

| NOTES                                   | 1981    | 1982     | 1983     | 1984     | 1985     | 1986     | 1987     | 1988     | 1989     | 1990     | 1991     | 1992     | 1993     | 1994     | 1995     | 1996     | 1997     |
|---|---------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Revenue                                 |         |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |
| Base rent                               | \$3,118 | \$ 7,794 | \$ 7,794 | \$ 7,891 | \$ 7,895 | \$ 7,910 | \$ 8,104 | \$ 8,119 | \$ 8,119 | \$ 8,119 | \$ 8,119 | \$14,368 | \$14,368 | \$14,368 | \$14,368 | \$14,368 | \$21,806 |
| Percentage rent                         | —       | 41       | 146      | 341      | 601      | 982      | 1,442    | 2,126    | 2,952    | 3,916    | 4,999    | 1,009    | 1,964    | 3,223    | 4,708    | 6,393    | 1,695    |
| Recoveries                              | (3)     | 909      | 2,465    | 2,866    | 3,094    | 3,345    | 3,617    | 3,895    | 4,197    | 4,522    | 4,877    | 5,260    | 5,675    | 6,124    | 6,612    | 7,140    | 7,712    |
| Vacancy allowance                       | (4)     | (45)     | (112)    | (114)    | (124)    | (131)    | (141)    | (155)    | (171)    | (189)    | (210)    | (234)    | (281)    | (303)    | (365)    | (402)    | (461)    |
| Total revenue                           | 3,982   | 10,188   | 10,482   | 10,974   | 11,459   | 12,096   | 13,008   | 13,969   | 15,079   | 16,347   | 17,761   | 20,356   | 21,704   | 23,384   | 25,323   | 27,499   | 30,752   |
| Operating Expenses                      |         |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |
| Heating, ventilating & air conditioning | (5)     | 62       | 183      | 210      | 242      | 278      | 320      | 368      | 404      | 444      | 488      | 537      | 591      | 650      | 715      | 787      | 953      |
| Common area maintenance                 | (6)     | 269      | 731      | 789      | 852      | 920      | 994      | 1,074    | 1,160    | 1,253    | 1,353    | 1,461    | 1,578    | 1,704    | 1,840    | 1,987    | 2,318    |
| Property taxes                          | (7)     | 411      | 1,117    | 1,206    | 1,302    | 1,406    | 1,518    | 1,639    | 1,770    | 1,912    | 2,065    | 2,230    | 2,409    | 2,602    | 2,810    | 3,035    | 3,340    |
| Property management fees                | (8)     | 51       | 128      | 130      | 135      | 139      | 145      | 156      | 167      | 181      | 197      | 214      | 231      | 267      | 287      | 312      | 339      |
| Non-recoverable expenses                | (9)     | 27       | 74       | 80       | 86       | 93       | 100      | 108      | 117      | 126      | 136      | 146      | 158      | 171      | 184      | 199      | 232      |
| Total operating expenses                | 820     | 2,233    | 2,415    | 2,617    | 2,836    | 3,077    | 3,345    | 3,618    | 3,916    | 4,239    | 4,588    | 4,987    | 5,394    | 5,836    | 6,320    | 6,844    | 7,427    |
| Income from operations                  | \$3,162 | \$ 7,955 | \$ 8,067 | \$ 8,357 | \$ 8,623 | \$ 9,019 | \$ 9,663 | \$10,351 | \$11,163 | \$12,108 | \$13,173 | \$15,369 | \$16,310 | \$17,548 | \$19,003 | \$20,655 | \$23,325 |

### Notes & Assumptions:

- (1) Base rental rates at lease renewal dates are assumed to increase by 8% compounded annually, except for the Major Tenants. No assumption has been made for income to be generated if Sunridge Mall is expanded.
- (2) Percentage rent is a derivative of estimated sales per square foot for individual mall retail stores in 1982 (as determined by Daon upon assumptions it considers reasonable and consistent with industry performance) and certain escalation factors and assumptions; see "Projected Increase in Sales."
- (3) Leases provide for the recovery of certain expenses from the Major Tenants. The remaining recoverable costs are recovered from the mall retail stores. Included in recoveries is a straight line depreciation for common area equipment; and amortization of heating, ventilating and air conditioning equipment costs and an administration fee of 1% of common area maintenance and heating, ventilating and air conditioning expense.
- (4) Vacancy allowance is 2% of the base and percentage rent due from the mall retail stores.
- (5) Heating, ventilating and air conditioning costs are assumed to increase by 15%, compounded annually, for years 1982-1986 and at 10%, compounded annually, thereafter.
- (6) Common area maintenance costs are assumed to increase at 8% compounded annually.
- (7) Property taxes are assumed to increase at 8% compounded annually.
- (8) A property management fee paid by the Partnership to Daon Management Ltd. is equal to 1.63% of gross rental revenue (2.5% of the portion of the share of gross rental revenue to which Partners holding Class A Units are notionally entitled).
- (9) Included in non-recoverable expenses is a reserve for structural repairs of 2½¢ per square foot assumed to increase at 8% compounded annually, and promotion fund contributions equal to 25% of tenant contributions, assumed to increase at 8% compounded annually.

The above projections are based on assumptions considered reasonable when prepared but which are subject to uncertainty and variation depending on evolving events. There is no representation that the projections will be realized in whole or in part.

## DEVELOPMENT COSTS

The following is an estimate of the amount of Development Costs to be incurred by the Partnership (inclusive of the amount payable in cash to Daon for the land and other tangible and intangible property acquired by the Partnership from Daon) in connection with the development, construction, initial leasing and interim financing of the Shopping Centres:

|   | Heritage Mall       | Bower Place<br>Shopping<br>Centre | Sunridge<br>Mall    | Total                |
|---|---------------------|-----------------------------------|---------------------|----------------------|
| Land (including acquisition costs and offsite services)                             | \$16,427,000        | \$ 9,891,000                      | \$11,106,000        | \$37,424,000         |
| Service connections   | 13,000              | 21,000                            | 50,000              | 84,000               |
| Landscaping   | 470,000             | 507,000                           | 958,000             | 1,935,000            |
| Construction costs (including costs incurred by Daon prior to transfer)             | 36,108,000          | 19,073,000                        | 33,583,000          | 88,764,000           |
| Architectural planning and related costs, and permits                               | 1,381,000           | 450,000                           | 1,656,000           | 3,487,000            |
| Property taxes, insurance, opening costs, brochures, printing and tenant allowances | 1,947,000           | 1,075,000                         | 1,719,000           | 4,741,000            |
| Interim financing costs and legal fees  | 243,000             | 109,000                           | 206,000             | 558,000              |
| Interest on interim financing <sup>(1)</sup>  | 6,599,000           | 3,430,000                         | 5,806,000           | 15,835,000           |
| Leasing fees payable to Daon  | 1,225,000           | 749,000                           | 1,056,000           | 3,030,000            |
| Other fees payable to Daon <sup>(2)</sup>   | 6,503,000           | 3,398,000                         | 5,566,000           | 15,467,000           |
| Total   | <u>\$70,916,000</u> | <u>\$38,703,000</u>               | <u>\$61,706,000</u> | <u>\$171,325,000</u> |

### NOTES:

- (1) This amount is calculated on the basis of an interest rate of 13½% per annum on the amount of Initial Interim Financing outstanding from time to time.
- (2) The other fees payable to Daon are described under "Development Services Agreement". The amount of interest on interim financing and other fees payable to Daon have been allocated among the Shopping Centres on a proportionate basis.

## APPRAISED VALUE OF THE SHOPPING CENTRES

Daon retained A. George Oikawa, F.R.I., A.A.C.I., R.I. (B.C.), to provide appraisals of the market values of each Shopping Centre at July 31, 1980. Mr. Oikawa is a qualified real estate appraiser independent of Daon and is the "Appraisal Co-ordinator" under the provisions attaching to the Preference Shares issued by Daon.

The appraisals delivered by Mr. Oikawa defined market value as his best estimate of the highest price in terms of money which a Shopping Centre, when it is completed, open for business and leased to tenants on terms substantially the same as those described in this Offering Memorandum, would bring if exposed for sale in the open market in the course of an orderly sale, allowing a reasonable time to find a purchaser with knowledge of the uses to which such Shopping Centre is adapted and for which it is capable of being used. These appraisals assumed the sale of such Shopping Centre to a single purchaser in a private transaction following completion and leasing and when such Shopping Centre is open for business.

The appraisals also included certain estimates of the amount of annual net income of each Shopping Centre, when complete and open to the public. These estimated amounts are not substantially different from those shown for 1982, the first complete year of operations, under "Daon Shopping Centres, Alberta—Summary of Projected Income".

These appraisals are not an appraisal of the value of the Class A Units and do not take into account values attributable to the Class A Units resulting from the Cash Flow Assurance, the Prior Allocation, the restrictions on voting by Daon as the holder of, and the sale by Daon of, Class B Units and Class C Units, the costs of raising capital and other attributes of this offering.



On the foregoing basis, the market value of each Shopping Centre (in the case of Sunridge Mall, exclusive of land held for expansion) at July 31, 1980, as set forth in such appraisals are as follows:

| <u>Shopping Centres</u>               | <u>Appraised Value</u> |
|---------------------------------------|------------------------|
| Heritage Mall, Edmonton               | \$118,400,000          |
| Bower Place Shopping Centre, Red Deer | 54,000,000             |
| Sunridge Mall, Calgary                | 98,800,000             |
| Total                                 | <u>\$271,200,000</u>   |

The preceding total is the sum total of the individual properties. No assumption has been made with respect to a sale of all properties in a single transaction.

According to an appraisal by Mr. Oikawa, the market value, at October 30, 1980, of the land held for expansion at Sunridge Mall is \$6,225,000.

Daon also retained Mr. Oikawa to provide appraisals of the market values at July 31, 1980 of the lands upon which the Shopping Centres are being constructed on an "as is" basis. These appraisals defined market value of such lands as the best estimate of the highest value in terms of money which such lands would bring if exposed for sale in the open market in the course of an orderly sale allowing a reasonable time to find a purchaser with knowledge of the uses to which such lands are adapted and for which they are capable of being used. These appraisals assumed the sale of land with their existing zoning but without regard to the work done by Daon to the date of the appraisal or the value of the commitments to lease and other commitments obtained by Daon at that time.

On the foregoing basis, the appraised value of such lands at July 31, 1980 was:

| <u>Land</u>   | <u>Appraised Value</u> |
|---|------------------------|
| at Heritage Mall                                      | \$15,100,000           |
| at Bower Place Shopping Centre                        | 7,760,000              |
| at Sunridge Mall (other than land held for expansion) | 14,900,000             |
| Total   | <u>\$37,760,000</u>    |

### INTERIM FINANCING OF THE SHOPPING CENTRES

Daon has obtained a commitment for the Partnership for interim financing for the development, construction and initial leasing of the Shopping Centres from three Canadian chartered banks (the "Lenders"). The Lenders are committed, subject to conditions usually contained in loan commitments, to advance funds (pro rata according to their respective shares in the total loan amount) for the construction and development of the Shopping Centres.

The following are the principal characteristics of this commitment:

1. the principal amount is not to exceed \$163,900,000 and drawings may be made by unconditional guarantees of commercial paper by one of the Lenders;
2. money may be borrowed by issuing short-term commercial paper, guaranteed by one of the Lenders, at prevailing market rates from time to time
3. interest is payable on advances at rates that are greater than, and which vary with fluctuations in, the prime rates of the lenders; the Partnership may, subject to certain conditions, pay interest at a rate based upon the London Interbank Offering Rate (LIBOR) for fixed periods or the "U.S. Base Rate";
4. a fee is payable for guarantees of commercial paper and a commitment fee and standby fees on unutilized portions of the loan commitment also are payable.
5. the loan is repayable on demand and must be paid in full by April 15, 1982;
6. prepayments in whole or in part are permitted without penalty, upon notice and subject to certain conditions;
7. funds will be advanced monthly against costs incurred (as compared to an approved budget and costs to complete) in the construction of the Shopping Centres;
8. the security for the loan will include a first deed of trust and mortgage on the Shopping Centres and an assignment of rentals from Major Tenants; and
9. the obligations under the loan are guaranteed by Daon.

In the event of default under the loan, the Lenders cannot seek recourse against the separate assets of a Limited Partner (as long as his liability is limited) and although Daon is obligated to repay the loan, the Lenders are not obligated to proceed firstly against Daon and may seek the remedy of foreclosure and sale of the Shopping Centres.

Daon has also obtained a commitment from the Lenders in an amount not to exceed \$9,600,000 for certain preliminary development and land costs with respect to the lands held for expansion at Sunridge Mall and certain other land adjacent to Sunridge Mall owned by Daon. The proceeds of this loan are to be paid to Daon to finance the foregoing costs but the Partnership has mortgaged the lands held for expansion of Sunridge Mall as part of the security for this loan. Daon is solely responsible to repay this loan and interest and other costs in connection therewith and this loan must be repaid in full by July 1, 1981.

To the extent that the amount of Initial Interim Financing advanced by the Lenders is not sufficient to pay for Development Costs that are payable, then, to the extent Development Costs and Issue Expenses do not exceed \$177,625,000, Daon will advance such monies to the Partnership and will be paid interest at the prime rate on the balance, from time to time, of the amounts so advanced. Development Costs and Issue Expenses in excess of \$177,625,000 will be paid by Daon; see "Development Services Agreement".

## SERVICES AND COMMITMENTS OF DAON

### Acquisition Agreement

Pursuant to an acquisition agreement (the "Acquisition Agreement") dated July 22, 1980 between Daon and the Partnership, Daon transferred to the Partnership and the Partnership acquired from Daon, the lands upon which the Shopping Centres are being constructed (including the land held for expansion at Sunridge Mall) and all other tangible and intangible properties and rights relating to the development, construction and leasing of the Shopping Centres (including all work then in place or materials purchased in connection with the Shopping Centres, rights under leases, letter agreements for leases, expressions of interest from tenants, development rights, plans, drawings and concepts) for an aggregate cost to the Partnership of \$136,055,000. This amount is payable, as to \$36,055,000 in cash and, as to the balance of \$100,000,000, by the Partnership recognizing a contribution by Daon to the Capital of the Partnership in such amount allocated, as to \$93,750,000, to the 750 Class B Units, and as to \$6,250,000, to the 50 Class C Units held by Daon.

The amount of \$36,055,000 payable to Daon in cash represents Daon's capitalized cost of the land and other tangible and intangible property transferred to the Partnership therewith at the date of transfer.

The lands upon which the Shopping Centres are being developed were acquired by Daon in arm's length transactions and were assembled, in the case of Heritage Mall in the period from December, 1973 to September, 1979, in the case of Bower Place Shopping Centre, in February, 1980 and, in the case of Sunridge Mall, in the period from September, 1972 to July, 1979. The lands for Sunridge Mall formed part of a land assembly of approximately 489 acres, the balance of which has been, or is being, developed by Daon in other aspects of its business.

### Election for Income Tax Purposes

Daon and the Partnership have elected, pursuant to the provisions of the Income Tax Act (Canada) that, for the purposes of calculating the income of the Partnership for income tax purposes, the cost of the lands and other tangible and intangible property acquired by the Partnership from Daon and the proceeds of disposition thereof to Daon is as follows:

|                | Heritage Mall       | Bower Place<br>Shopping Centre | Sunridge Mall              | Total               |
|----------------|---------------------|--------------------------------|----------------------------|---------------------|
| Land           | \$ 9,929,000        | \$6,964,000                    | \$8,589,000 <sup>(1)</sup> | \$25,482,000        |
| Buildings      | 5,987,999           | 2,873,999                      | 1,710,999                  | 10,572,997          |
| Other property | 1                   | 1                              | 1                          | 3                   |
| Total          | <u>\$15,917,000</u> | <u>\$9,838,000</u>             | <u>\$10,300,000</u>        | <u>\$36,055,000</u> |

NOTE:

<sup>(1)</sup> This includes an amount in respect of the land held for expansion at Sunridge Mall.

The amounts elected in respect of the buildings together with the additional amounts paid or incurred by the Partnership in respect of the development and construction of the buildings will be the amounts upon which capital cost allowances may be claimed by the Partnership in calculating its income for income tax purposes (see “Tax Consequences of an Investment in Class A Units”) and a component in calculating the cost base of the Shopping Centres upon which any gain or loss upon a disposition of a Shopping Centre would be based. The Partnership Agreement provides, however, that if a Shopping Centre (or the land held for expansion at Sunridge Mall) is sold, the income for income tax purposes that would not have been realized by the Partnership if the election had not been made will, to the extent that no part of the income arising on such sale is allocated to Partners holding Class A Units, be wholly allocated to Partners holding Class B Units (or, in the case of the land held for expansion at Sunridge Mall, to Partners holding Class C Units), so that the Partners holding such Units (presently Daon) will be responsible to pay the tax upon such amount of income.

### **Development Services Agreement**

The Partnership will enter into an agreement (the “Development Services Agreement”) with Daon providing for the provision to the Partnership of certain services, expertise, commitments and indemnities relating to the development, construction, initial leasing and interim financing of the Shopping Centres from and after July 22, 1980. The specific services, expertise, commitments and indemnities to be provided by Daon, and the amount to be paid by the Partnership for each, are as follows:

*Cash flow assurance:* Daon will assure that the amount to be distributed by the Partnership to Partners holding Class A Units in respect of each fiscal period ending on or before December 31, 1996 will not be less than certain stated percentages per annum (See “Cash Flow Assurance to Partners holding Class A Units”) without any right by Daon to recover, either from the Partners holding Class A Units or from the Partnership, or out of income earned or gains realized by the Partnership, amounts paid by Daon in respect of the Cash Flow Assurance, other than amounts paid by Daon in respect of a deficiency in the Cash Flow Assurance resulting from an Expansion; see, “Expansion of a Shopping Centre”; for this assurance the Partnership will pay Daon \$1,200,000;

*Leasing services:* Daon will contract with the Partnership to negotiate all leases with tenants of the Shopping Centres, to develop and to review programs, policies and procedures with respect to advertising and tenant selection, to prepare all lease documentation including offers to lease and formal leases, to supervise and to coordinate the moving in of tenants and the work to be performed by them in respect of their premises; for these services the Partnership will pay Daon \$3,030,000;

*Interim financing:* Daon has arranged and will assure the provision of the Initial Interim Financing and any other interim financing required by the Partnership during construction of the Shopping Centres; for arranging and assuring such financing the Partnership will pay Daon \$3,278,000;

*Variable costs:* The Partnership will incur certain costs in connection with the development, construction, initial leasing and interim financing of the Shopping Centres which will vary with the length of time necessary to complete the development of the Shopping Centres, increases in amounts charged for such costs, and fluctuating prices which cannot be fixed by contract; these costs (“variable costs”) include: the costs of interim financing which vary both with the length of time such financing is outstanding and the rate of interest (as a floating rate) that is to be paid in respect of such financing; property taxes during construction which vary with time, the assessed value of the property and the rate of tax charged; insurance premiums payable during construction; the amount payable to governmental authorities for permits; legal fees; inspection fees paid to lenders and all other payments which vary with time or pricing. In respect of these variable costs, Daon has agreed to provide the following services and commitments:

*Variable cost indemnity:* Daon will unconditionally indemnify and pay the Partnership for the amount, if any, by which the aggregate amount of variable costs paid or incurred by the Partnership in connection with the development, construction, initial leasing and interim financing of the Shopping Centres, and which are included in Development Costs, exceeds \$30,721,000, provided that Daon shall not be liable to pay any amount in respect of the variable



cost indemnity unless the aggregate of Development Costs for the Shopping Centres (but not for any Expansion) and Issue Expenses also exceeds \$177,625,000; for this indemnity the Partnership will pay Daon \$3,150,000;

*Variable cost management:* Daon, on behalf of the Partnership, will manage the payment of and the accounting for the variable costs incurred by the Partnership and payable by it, including processing advances of interim financing, accounting for variable costs, reviewing and processing payments of taxes, insurance, fees and for permits; for this service the Partnership will pay Daon \$250,000;

*Landscaping services:* Daon will coordinate and supervise the landscaping for the Shopping Centres; for this service the Partnership will pay Daon \$200,000;

*Development services:* The development and supervision of construction of the Shopping Centres requires considerable expertise and experience as well as substantial management time; Daon will provide the Partnership with the benefit of its experience and expertise as a developer of Shopping Centres, and supervise, on behalf of the Partnership, all aspects of the development of the Shopping Centres. In addition, Daon has agreed to remedy any deficiency in the construction, design, materials or workmanship that appears within two years of the substantial completion of any Shopping Centre; for this service, expertise and commitment the Partnership will pay Daon \$5,604,000;

*Cost overrun indemnity:* Daon has agreed to indemnify and pay the Partnership for the amount, if any, by which the aggregate of Development Costs for the Shopping Centres (but not for any Expansion) and Issue Expenses exceeds \$177,625,000 provided that the amounts to be paid by Daon in respect of the cost overrun indemnity shall not include amounts which Daon is also liable to pay in respect of the Variable Cost Indemnity; for this indemnity the Partnership will pay Daon \$1,785,000.

*Management services:* Daon will arrange for the management of the Shopping Centres following their completion; see "Management of the Shopping Centres".

### **Aggregate Remuneration to and Costs of Daon**

The aggregate amount to be paid by the Partnership to Daon for the foregoing services, expertise, commitments and indemnities to be provided to the Partnership by Daon is \$18,497,000. Daon expects to incur certain other expenditures and obligations in connection with the development of the Shopping Centres which will not be incurred by the Partnership and for which Daon will not be entitled to be reimbursed by the Partnership; the aggregate amount of such other expenditures and obligations (including an allocation for overhead expenditures) is estimated by Daon to be not less than the foregoing aggregate amount.

### **Management of the Shopping Centres**

Under the terms of an agreement (the "Property Management Agreement") to be entered into between the Partnership and Daon Management Ltd. ("Management"), a wholly-owned subsidiary of Daon, the Partnership will retain the services of Management to manage each Shopping Centre as property manager until August 31, 1986. The Property Management Agreement will automatically be renewed for successive five year terms unless either party gives notice of termination not less than three months prior to the expiry of any term. The Property Management Agreement may be terminated by the Partnership at any time upon three months' notice if Daon Properties Ltd. is removed as Managing General Partner of the Partnership; see "Change, Resignation or Removal of General Partner or Managing General Partner".

The authority and duties of Management will include the obligation to supervise the moving in and out of tenants (except the moving in of tenants before the Shopping Centres are open), to collect rents, to supervise the maintenance and repair of the Shopping Centres, to arrange for the cleaning of the Shopping Centres, to hire necessary employees, to pay, out of revenue of the Partnership, property taxes, operating costs and other expenses, to prepare monthly financial statements and to maintain financial records and

accounts for the Shopping Centres. Management may also act as agent for the Partnership in obtaining and negotiating tenancies of space in the Shopping Centres. All revenue received by Management in respect of the Shopping Centres will be accounted for separately and excess cash will be remitted to the Partnership at least monthly.

Under the Property Management Agreement, Management will be required to provide, or obtain, at its expense, adequate management personnel (including a manager for each Shopping Centre) and to obtain, at the expense of the Partnership, adequate personnel for the administration and operation of the Shopping Centres. Management will be entitled to retain such independent professional services at the expense of the Partnership as may be required in the performance of its obligations under the Property Management Agreement. The General Partner, the Managing General Partner and Management will agree to indemnify each other with respect to certain matters relating to the duties of Management.

Management will receive a fee for all management services rendered by it equal to 1.63% of the gross rental revenue from the Shopping Centres (2.5% of the portion of gross rental revenue to which Partners holding Class A Units are notionally entitled) and, for obtaining and negotiating tenancies in a Shopping Centre, a fee equal to that which would be charged by arm's length parties in the locality of such Shopping Centre.

#### **Compensation of General Partner and Managing General Partner**

Neither the General Partner nor the Managing General Partner will receive any fee or other remuneration for the services to be rendered by each to the Partnership. However, so long as Daon holds 750 Class B Units and 50 Class C Units and is General Partner (and Daon Properties Ltd. is Managing General Partner) Daon will hold a 34.61% (36.08% after the expansion or sale of Sunridge Mall) interest in the Partnership (after the allocation of the Prior Allocation and the Equivalent Prior Allocation and the priorities relating to Sale Proceeds to which Partners holding Class A Units are entitled).

The General Partner and the Managing General Partner will be entitled to reimbursement from the Partnership for all costs actually incurred by each in the performance of their respective duties under the Partnership Agreement, including both direct costs incurred for the exclusive benefit of the Partnership and such portion of the indirect or general administrative costs of the General Partner or the Managing General Partner as are fairly allocable to the services rendered by the General Partner or the Managing General Partner to the Partnership.

The fees payable to Daon Management Ltd. are set out under "Management of the Shopping Centres."

#### **Remuneration of Directors and Officers**

No direct remuneration is paid or payable by the Partnership to the directors or officers of the General Partner, the Managing General Partner or the Property Manager.

### **USE OF PROCEEDS**

The estimated net proceeds to the Partnership from the sale of Class A Units hereby offered will amount to \$171,325,000 after deduction of the Agents' commission and expenses of this offering estimated at \$6,300,000.

The net proceeds of this offering will be used to pay for the Development Costs incurred and to be incurred by the Partnership in the development, construction, initial leasing and interim financing of the Shopping Centres. Of this amount, \$54,552,000 is payable to Daon, which will be allocated as follows:

|  |             |                     |
|--|-------------|---------------------|
| Land and other property at July 22, 1980                   |             | \$36,055,000        |
| Fees for services, expertise, commitments and indemnities: |             |                     |
| Cash flow assurance  | \$1,200,000 |                     |
| Leasing services   | 3,030,000   |                     |
| Interim financing  | 3,278,000   |                     |
| Variable cost indemnity                                    | 3,150,000   |                     |
| Variable cost management                                   | 250,000     |                     |
| Landscaping services                                       | 200,000     |                     |
| Development services                                       | 5,604,000   |                     |
| Cost overrun indemnity                                     | 1,785,000   |                     |
| Total fees   |             | 18,497,000          |
| Total  |             | <u>\$54,552,000</u> |

The net proceeds of this Offering will be deposited in the Project Fund until the earlier of (i) the date the Shopping Centres are open to the public and Major Tenants (other than Eaton's in respect of Heritage Mall) are paying or liable to pay rent and (ii) October 31, 1983. When these conditions are satisfied, cash deposited in the Project Fund may be withdrawn by the Partnership and used to repay an equal amount of Initial Interim Financing and monies advanced by Daon to enable the Partnership to pay Development Costs and Issue Expenses in a total amount not exceeding \$177,625,000; see "Project Fund".

### CAPITALIZATION OF THE PARTNERSHIP

|                                    | Amount<br>authorized<br>or to be<br>authorized | Amount<br>outstanding<br>as of<br>October 30, 1980 | Amount<br>to be<br>outstanding<br>after giving<br>effect<br>to this<br>Offering | Amount<br>estimated<br>to be<br>outstanding<br>on completion<br>of transactions<br>contemplated<br>by this<br>Offering <sup>(2)</sup> |
|------------------------------------|--|--|---|---|
| Mortgage loan <sup>(1)</sup>       | \$163,900,000                                  | \$ 47,000,000                                      | \$ 47,000,000   | \$ —  |
| Capital of the Partnership         |  |  |   |   |
| General Partner's Capital          | \$ 10,000                                      | \$ 10,000  | \$ 10,000   | \$ 10,000   |
| Managing General Partner's Capital | \$ 10,000                                      | \$ 10,000  | \$ 10,000   | \$ 10,000   |
| Limited Partners' Capital          |  |  |   |   |
| Class A Units                      | 1421 Units                                     | 1 Unit   | 1421 Units  | 1421 Units  |
|                                    | \$177,625,000                                  | \$ 125,000   | \$ 44,500,000 <sup>(3)</sup>  | \$177,625,000   |
| Class B Units                      | 750 Units                                      | 750 Units  | 750 Units   | 750 Units   |
|                                    | \$ 93,750,000                                  | \$ 93,750,000                                      | \$ 93,750,000   | \$ 93,750,000   |
| Class C Units                      | 50 Units                                       | 50 Units   | 50 Units  | 50 Units  |
|                                    | \$ 6,250,000                                   | \$ 6,250,000                                       | \$ 6,250,000  | \$ 6,250,000  |

#### NOTES:

(1) This is the loan described under "Interim Financing of the Shopping Centres."

(2) Completion of the transactions contemplated by this Offering will occur when the Shopping Centres are open for business, Major Tenants are paying or liable to pay rent and the full Subscription Price for the Class A Units has been received.

(3) This amount represents the portion of the Subscription Price for Class A Units to be paid in 1980.

### SUMMARY OF PARTNERSHIP AGREEMENT

#### General Provisions

##### *The Partnership Agreement*

The rights and obligations of the Partners are governed by the Partnership Agreement, the full text of which is set out in its entirety as Exhibit A to this Offering Memorandum. The statements in this Offering Memorandum concerning the Partnership Agreement are intended to supplement other statements



contained in this Offering Memorandum, are intended to be only a summary of certain provisions of the Partnership Agreement and do not purport to be complete. A prospective investor should review the provisions of the Partnership Agreement for the complete details of such provisions.

The Partnership Agreement was originally entered into on July 15, 1980 among Daon Development Corporation as General Partner, Daon Properties Ltd. As Managing General Partner and 999 Holdings Ltd. as Limited Partner. On July 22, 1980 the initial agreement was amended to reflect the number and attributes of the Class B Units and Class C Units issued to Daon upon the acquisition by the Partnership of the lands upon which the Shopping Centres are being constructed (including the land held for expansion at Sunridge Mall) and other tangible and intangible property. On October 30, 1980, the initial agreement, as amended, was substantially restated and amended for purposes of this offering.

#### *Business*

The business of the Partnership consists of developing, constructing and leasing the Shopping Centres and, after the completion thereof, managing and operating the Shopping Centres. The Partnership will not invest its funds in any other property except that excess cash, until distributed, may be invested in short-term debt obligations and interest bearing accounts.

#### *Units*

The interests of the Limited Partners (including that of Daon as a Limited Partner) will be represented by and limited to 2221 Units divided into 1421 Class A Units (1420 of which are offered by this Offering Memorandum and one of which is held by 999 Holdings Ltd.), 750 Class B Units and 50 Class C Units (subject to the right of the Managing General Partner to increase the number of Units in the event of Expansion of a Shopping Centre; see "Admission of Additional Limited Partners—Expansion of a Shopping Centre"). Each Unit is equal to each other Unit and a Partner holding a Unit has the same rights in respect of each Unit held by such Partner as a Partner holding any other Unit (including rights to allocation of income and distributions of cash by the Partnership), except that Partners holding Class A Units are entitled to certain priorities over Partners holding Class B Units and Class C Units in respect of the allocations of Distributable Net Income and the distributions of Distributable Cash and Sale Proceeds and that Class C Units are not entitled to such allocations or such distributions except upon the use of the land held for expansion at Sunridge Mall or the sale of such land.

#### *Fiscal Period*

The fiscal period of the Partnership will end December 31 each year; the first fiscal period will end on December 31, 1980.

#### *Partners*

A Person does not become a Partner in the Partnership and is not entitled to any of the rights of a Partner or to share in allocations of Distributable Net Income, Net Loss, Gain or Loss or in distributions of Distributable Cash, Refinancing Proceeds or Sale Proceeds until such Person is named on the Certificate in respect of the Partnership filed and recorded in the Central Registry under The Partnership Act (Alberta). The Managing General Partner has covenanted to cause the Certificate to be appropriately amended to reflect the admission of additional and substitute Partners to the Partnership and to file such amended certificate as may be required from time to time.

Each person who subscribes for a Class A Unit, in order to become a Limited Partner, must execute a Signature Page and Power of Attorney (the form of which is attached as Schedule "A" to the Partnership Agreement) which, when accepted by the General Partner, is attached to the Partnership Agreement and filed in the office of the Central Registry for the Province of Alberta.

#### *Term and Dissolution*

The Partnership was formed on July 21, 1980, the date of the filing and the recording of the Certificate in respect of the Partnership under the laws of the Province of Alberta.

The Partnership will terminate on December 31, 2090 or, if the Partnership is dissolved before that date, when all of its assets have been disposed of and the net proceeds therefrom, after repayment of or making due provision for the repayment of all debts, liabilities and obligations to creditors, have been distributed in accordance with the terms of the Partnership Agreement.

The Partnership will be dissolved on the earliest of (i) the approval of such dissolution by the General Partner and the authorization of such dissolution by extraordinary resolution; (ii) the end of the fiscal period in which all the property of the Partnership is sold; and (iii) 180 days after the bankruptcy, insolvency or dissolution of both the General Partner and the Managing General Partner, unless within such 180 day period a new General Partner or Managing General Partner is appointed.

#### *Change, Resignation or Removal of General Partner or Managing General Partner*

The General Partner is entitled to resign as the General Partner of the Partnership, and the Managing General Partner is entitled to resign as the Managing General Partner of the Partnership, at any time after, but not on or before, October 31, 1983. The General Partner or the Managing General Partner will be deemed to have resigned as the General Partner or the Managing General Partner upon bankruptcy, insolvency or dissolution and in certain other circumstances. The resignation of the General Partner or the Managing General Partner becomes effective upon the earlier of the appointment of a new General Partner or Managing General Partner by the Limited Partners by ordinary resolution or 180 days following the deemed resignation or written notice of the voluntary resignation of the General Partner or the Managing General Partner to the Limited Partners. The General Partner and the Managing General Partner are not both entitled to resign if the effect of such resignation would be to dissolve the Partnership.

The Limited Partners are not entitled to remove the General Partner.

The Limited Partners are entitled, by ordinary resolution, to remove the Managing General Partner and appoint a new Managing General Partner in its place at any time, subject to the limitations set forth under "Rights of Limited Partners". However, the Managing General Partner may not be removed by an ordinary resolution unless and until a written notice has been received by the Managing General Partner from a Limited Partner stating that the Managing General Partner has failed to exercise its powers or carry out its duties in accordance with the Partnership Agreement or applicable law and describing, in general terms, the nature of such failure, to which the Managing General Partner does not respond within 21 days or, if the Managing General Partner does respond, a single arbitrator appointed for the purpose determines that the Managing General Partner has so failed and, by reason of such failure, it is reasonable to expect the Limited Partners to have a justifiable lack of confidence in the Managing General Partner.

If the Managing General Partner resigns or is removed, then the Partnership is required to pay the Managing General Partner a termination payment equal to 0.05% of the value of the Shopping Centres at the time of such resignation or removal in excess of the amount of debt of the Partnership at such time.

#### *Admission of Additional Limited Partners—Expansion of a Shopping Centre*

If a Shopping Centre is Expanded, then additional Limited Partners may be admitted to the Partnership (who may hold additional Class A Units or additional Class B Units or Units of some other class but having a Subscription Price of at least \$125,000 per Unit). However, the aggregate Subscription Price for all Units held by such additional Limited Partners cannot exceed the Development Costs incurred (or estimated to be incurred) by the Partnership in respect of such Expansion less the aggregate amount borrowed by the Partnership to finance such Expansion (other than amounts borrowed as Current Obligations). Partners holding Units will be given assignable subscription warrants in bearer form pro rata according to the number of Units held by each and holders of such bearer subscription warrants will be entitled, for a period of time, to subscribe for such additional Units before such additional Units are offered to others.

#### *Limited Liability of Limited Partners*

Under The Partnership Act (Alberta), the General Partner and the Managing General Partner have unlimited liability for the debts, liabilities, obligations and losses of the Partnership to the extent they exceed the assets of the Partnership. The liability of each Limited Partner holding Class A Units for the debts, liabilities, obligations and losses of the Partnership is limited to the amount of the Subscription Price in respect of the Class A Units held by such Limited Partner. If any part of such Subscription Price is returned to such Limited Partner, then such Limited Partner (including any successor to such Limited Partner) might, under applicable law, be obligated under some circumstances to return amounts previously distributed to them, to the extent such distributions constitute a return of the amount they had

agreed to contribute to the Partnership, at the time when creditors had valid and unsatisfied claims against the Partnership. A Limited Partner has no interest in the specific assets owned by the Partnership. This property of the Partnership will not be available to satisfy a judgement against a Limited Partner in his individual capacity.

The limitation of the liability of a Limited Partner will be lost by a Limited Partner who takes part in the control of the business of the Partnership.

#### *Rights of Limited Partners*

Limited Partners are not entitled to take part in the control of the business of the Partnership. The Managing General Partner is, however, required to call (i) an annual general meeting of the Partners in May of each year, commencing in 1982, for the purpose of reviewing the affairs of the Partnership and (ii) an extraordinary general meeting upon written request from Partners holding at least 15% of the outstanding Units. At a meeting of the Partners, a Partner is entitled to one vote, in person or by proxy, for each Unit held by such Partner. The General Partner and its affiliated entities may not cast more than 20% of the votes cast on any resolution of the Partners and while Daon is General Partner, Daon may not vote on any resolution to approve the assignment by Daon of the Class B Units or Class C Units held by Daon or to remove Daon Properties Ltd. as Managing General Partner.

The Partnership Agreement provides that the holders of the Units are entitled:

- (a) subject to certain conditions, to remove the Managing General Partner by ordinary resolution; see "Change, Resignation or Removal of General Partner or Managing General Partner";
- (b) to approve the dissolution of the Partnership by extraordinary resolution (with the approval of the General Partner); and
- (c) to take certain other action by extraordinary resolution.

However, the exercise of any of the foregoing rights or the taking of any action by Limited Partners at a meeting of Limited Partners may result in the loss of the limited liability of the Limited Partners. Accordingly, none of the foregoing rights may be exercised nor may any action approved by Limited Partners at a meeting of Partners be taken and such action shall be of no effect unless and until, prior to such exercise or the taking of such action, an opinion of counsel or a declaration of a court of competent jurisdiction has been obtained to the effect that the exercise of such rights or the taking of such action will not adversely affect the limited liability of any Limited Partner (other than those Limited Partners who have initiated such action).

Limited Partners are also entitled to those rights afforded limited partners under The Partnership Act (Alberta), subject to the Partnership Agreement, except that where The Partnership Act (Alberta) affords broader rights to limited partners than those contained in, or limited by, the Partnership Agreement, the provisions of the Partnership Agreement that attempt to limit such rights may not be enforceable.

#### *Amendment*

The Limited Partners are entitled to authorize amendments to the Partnership Agreement by extraordinary resolution, but no such amendment that adversely affects the rights of the General Partner or the Managing General Partner may be made without the approval of the General Partner or the Managing General Partner. The Managing General Partner is entitled to make certain amendments to the Partnership Agreement without the consent of the Limited Partners (or of any subscriber for Class A Units) provided such amendments are, in the opinion of counsel, for the protection of the Limited Partners (or subscribers for Class A Units) or do not adversely affect the rights of any Limited Partner (or subscriber for Class A Units) and are approved by the General Partner.

#### *Financial Statements*

The Managing General Partner is obligated to prepare and forward, within 90 days after the end of each fiscal period, to each Partner who was a Partner at the end of such fiscal period, information for tax reporting purposes and an annual report containing audited financial statements in respect of such fiscal period and, in respect of fiscal periods ending after December 31, 1981, an appraisal by an independent appraiser of the market value of each Shopping Centre as at a date not earlier than 12 months prior to the end of such fiscal period. The Managing General Partner is also obligated to prepare and forward to each



Partner within 60 days of the end of each of the first three quarters of each fiscal period, quarterly unaudited statements of operations and changes in financial position and in November, 1981, an estimate of the net loss of the Partnership for income tax purposes for the fiscal period to end December 31, 1981.

The Partnership books will be kept at 6th Floor, 999 West Hastings Street, Vancouver, British Columbia, the principal office of the Managing General Partner, Daon Properties Ltd.

#### *Assignment of Units*

A Unit may be assigned by the holder thereof executing and delivering to the Managing General Partner an assignment substantially in the form annexed to the Partnership Agreement as Schedule "C". The assignee will be entered on the register of Partners as the holder of a Unit as at the date the assignment is entered on such register but will not become a Partner until the filing and recording of an amendment to the certificate in respect of the Partnership under The Partnership Act (Alberta). The Managing General Partner is required to prepare and file an amendment to such certificate. Under The Partnership Act (Alberta) the assignor remains liable to the Partnership to the extent of the amount of the Subscription Price returned to such assignor in respect of liabilities of the Partnership existing at the time of such return.

A fraction of a Unit may not be assigned.

#### *Pledge of Units*

If a Partner pledges a Unit held by such Partner as security for a loan to such Partner, then the Managing General Partner will, upon the written request of such Partner, deliver an acknowledgement to the person making such loan acknowledging such pledge and confirming that all distributions by the Partnership in respect of such Unit will be paid to such person upon receipt by the Managing General Partner of a written order from such person until such person delivers a release of such acknowledgement to the Partnership.

#### *Indemnification*

The General Partner, the Managing General Partner and the Partnership have agreed to indemnify each other and the General Partner and the Managing General Partner have agreed to indemnify the Limited Partners in respect of certain matters described in the Partnership Agreement.

### **Allocations and Distributions of Income and Cash**

#### *Allocation of Net Income from Operations (Distributable Net Income)*

Partners holding Class A Units will be entitled to 65.39% (63.92% after the expansion or sale of Sunridge Mall) of the net income from operations of the Shopping Centres and Daon, so long as it holds the Class B Units and the Class C Units and is General Partner (and Daon Properties Ltd. is Managing General Partner) will be entitled to 34.61% thereof (36.08% after the expansion or sale of Sunridge Mall).

However, before any net income from operations of the Shopping Centres in respect of any fiscal period ending on or before December 31, 1996 is allocated to Daon as holder of the Class B Units or, after the expansion or sale of Sunridge Mall, Class C Units or as General Partner (or Daon Properties Ltd. as Managing General Partner), Partners holding Class A Units must first be allocated 8.57% of the Adjusted Subscription Price for the Class A Units in respect of each fiscal period ending on or before December 31, 1983, 9% per annum of the Adjusted Subscription Price for the Class A Units in respect of each fiscal period ending after December 31, 1983 and on or before December 31, 1991 and 15% per annum of the Adjusted Subscription Price for the Class A Units in respect of each fiscal period ending after December 31, 1991 and on or before December 31, 1996, less, in respect of each such fiscal period, Funded Interest Expense in respect of each such period allocated to the Class A Units (the "Prior Allocation"). After the allocation of the Prior Allocation in respect of a fiscal period, Partners holding Class B Units and, after the expansion or sale of Sunridge Mall, Class C Units, are allocated, out of net income from operations of the Shopping Centres in respect of such fiscal period, an amount that is equal to the same percentages per annum applied to the Adjusted Equivalent Capital as are applied to the Adjusted Subscription Price less, in respect of each such fiscal period, Funded Interest Expense in respect of each such period allocated to the Class B Units and, after the expansion or sale of Sunridge Mall, the Class C Units (the "Equivalent Prior Allocation").

Only after the foregoing allocations are made is net income from operations of the Shopping Centres allocated among the Partners holding Units rateably according to the number of Units held by each and to the General Partner and the Managing General Partner. As a result of the foregoing, in order for Partners holding Class A Units to receive more than the Prior Allocation in respect of any fiscal period ending on or before December 31, 1996, net income from operations of the Shopping Centre, must be more than the amount required to allocate the Equivalent Prior Allocation to Partners holding Class B Units and, after the expansion or sale of Sunridge Mall, Class C Units.

Distributable Net Income will be allocated among the Partners as follows:

- (a) in respect of each fiscal period ending on or before December 31, 1996 (except in respect of a fiscal period or any part thereof before the earlier of (i) the date the Shopping Centres are open to the public and Major Tenants (other than Eaton's in respect of Heritage Mall) are paying or liable to pay rent, and (ii) October 31, 1983) as follows:
  - (i) firstly, to Partners holding Class A Units, the Prior Allocation in respect of such fiscal period;
  - (ii) secondly, to Partners holding Class B Units and Class C Units, the Equivalent Prior Allocation in respect of such fiscal period; and
  - (iii) thereafter, as to the balance thereof, as to 99.9% thereof, to Partners holding Units and, as to 0.1% thereof, equally to the General Partner and the Managing General Partner, and
- (b) in respect of each fiscal period ending after December 31, 1996, as to 99.9% thereof, to Partners holding Units and, as to 0.1% thereof, equally to the General Partner and the Managing General Partner.

However, Distributable Net Income in respect of each fiscal period or any part thereof, before the earlier of (i) the date the Shopping Centres are open to the public and Major Tenants (other than Eaton's in respect of Heritage Mall) are paying or liable to pay rent, and (ii) October 31, 1983, will be allocated, as to 93.44% thereof to Partners holding Class A Units, as to 6.46% thereof, to Partners holding Class B Units, and as to 0.1% thereof, equally to the General Partner and the Managing General Partner; see, "Allocation of Net Loss".

The foregoing allocations of Distributable Net Income are made in respect of each fiscal period and are not cumulative.

No Distributable Net Income will be allocated to Partners holding Class C Units until the land held for expansion at Sunridge Mall is used for Expansion or is sold.

#### *Cash Flow Assurance to Partners Holding Class A Units*

Daon will assure that the amount distributed by the Partnership to a Partner holding Class A Units will not be less than 8.57% per annum of the Adjusted Subscription Price per Class A Unit in respect of each fiscal period ending on or before December 31, 1983, 9% per annum of the Adjusted Subscription Price per Class A Unit in respect of each fiscal period ending after December 31, 1983 and on or before December 31, 1991 and 15% per annum of the Adjusted Subscription Price per Class A Unit in respect of each fiscal period ending after December 31, 1991 and on or before December 31, 1996, less, in respect of each such period, Debt Service in respect of such period per Class A Unit. The foregoing assurance is in respect of each such fiscal period and is not cumulative. Daon, as General Partner, has agreed to pay the Partnership, for distribution to the holders of the Class A Units, the amount, if any, by which Distributable Cash for any such fiscal period is less than the amount required to pay the foregoing amounts to Partners holding Class A Units in respect of such fiscal period. Daon is not entitled to recover the amounts so paid by it either from the Partners holding Class A Units or from the Partnership, or out of income earned or gains realized by Partnership other than amounts paid by Daon in respect of a deficiency in the Cash Flow Assurance resulting from an Expansion; see, "Expansion of a Shopping Centre."

As the percentages per annum applicable to the Adjusted Subscription Price in determining the Cash Flow Assurance (the amounts assured by Daon) are determined before the deduction of Debt Service, payment by the Partnership of instalments of principal and interest (and other amounts) in respect of long term financing of the Shopping Centres will reduce the amount of cash to be distributed to a Partner holding Class A Units. As a result of the deduction of amounts for principal included in Debt Service, when long term financing is obtained, amounts distributed to a Partner in respect of any fiscal period may be less than the amount of Distributable Net Income allocated to such Partner in respect of such fiscal period.

#### *Distributions of Distributable Cash to Partners*

The Managing General Partner will distribute, out of Distributable Cash in respect of each fiscal period, the amounts to which the Partners are respectively entitled and, in the case of a Partner holding a Class A Unit, the amount necessary to assure the amount of the Cash Flow Assurance to which such Partner is entitled in respect of such fiscal period. Distributions of Distributable Cash will be made on March 31 in each year, commencing March 31, 1982 to those persons who were Partners at the end of the most recently completed fiscal period (including, on March 31, 1982, the fiscal periods ending December 31, 1980 and December 31, 1981) and, in the case of Partners holding Units, or Partners holding Units of a particular class, rateably according to the number of Units or Units of such class, as the case may be, held by each such Partner at the end of such fiscal period, equally with respect to each such Unit.

#### *Allocation of Net Loss*

Net Loss in respect of each fiscal period will be allocated (except in respect of a fiscal period or any part thereof before the earlier of (i) the date the Shopping Centres are open to the public and Major Tenants (other than Eaton's in respect of Heritage Mall) are paying or liable to pay rent, and (ii) October 31, 1983), as to 99.9% thereof, to Partners holding Units and as to 0.1% thereof, equally to the General Partner and the Managing General Partner.

However, Net Loss in respect of each fiscal period or any part thereof before the earlier of (i) the date the Shopping Centres are open to the public and Major Tenants (other than Eaton's in respect of Heritage Mall) are paying or liable to pay rent, and (ii) October 31, 1983, will be allocated, as to 93.44% thereof to Partners holding Class A Units, as to 6.46% thereof, to Partners holding Class B Units and as to 0.1% thereof, equally to the General Partner and the Managing General Partner.

The foregoing allocation (and the allocation for such periods set forth under "Allocation of Net Income from Operations (Distributable Net Income)") has been determined on the basis of the proportions that the contributions made by Partners initially holding the Class A Units and the Partners initially holding Class B Units (Daon) bears to the total contributions of all such Partners at such time. For this purpose, the contribution made by the Partners holding Class A Units is considered to be \$177,625,000 while the contribution made by Daon, as the Partner holding the Class B Units, is considered to be the amount by which the market value of the lands upon which the Shopping Centres are being constructed at the time of the transfer of such lands to the Partnership plus the costs incurred by Daon to such date (other than the costs of such lands) exceeds the amount payable to Daon in cash in respect of such lands and other tangible and intangible property acquired by the Partnership from Daon. On this basis, for the purpose of allocating Distributable Net Income and Net Loss until the Shopping Centres are open to the public and Major Tenants (other than Eaton's in respect of Heritage Mall) are paying or liable to pay rent, Daon's contribution is as follows:

|   |                     |
|---|---------------------|
| Market value of lands at July 31, 1980; see "Appraised Value of the Shopping Centres" | \$37,760,000        |
| Cost of tangible and intangible property to July 22, 1980 (other than land)           | 10,573,000          |
| Less: Amount payable to Daon in cash  | 36,055,000          |
| Daon contribution (for this purpose only)   | <u>\$12,278,000</u> |

No Net Loss will be allocated to Partners holding Class C Units until the land held for expansion at Sunridge Mall is used for Expansion or is sold.



### *Allocation and Distribution of Sale Proceeds*

Sale Proceeds available for distribution as a result of the Sale of a Shopping Centre will be allocated and distributed as follows:

- (a) firstly, to Partners holding Class A Units, in repayment of the following percentages of the Subscription Price for the Class A Units:
  - (i) in the case of the Sale of Heritage Mall; 41.39% thereof;
  - (ii) in the case of the Sale of Bower Place Shopping Centre; 22.59% thereof; and
  - (iii) in the case of the Sale of Sunridge Mall; 36.02% thereof;less Refinancing Proceeds previously distributed in respect of such Shopping Centre;
- (b) secondly, if such Sale occurs after December 31, 1983 and on or before December 31, 1996, to Partners holding Class A Units, the following percentages of the amount determined pursuant to subclause (a) above (before deducting Refinancing Proceeds):
  - (i) if such Sale occurs after December 31, 1983 but on or before December 31, 1991; 5.017% thereof; and
  - (ii) if such Sale occurs after December 31, 1991 but on or before December 31, 1996; 75.029% thereof;
- (c) thirdly, to Partners holding Class B Units and Class C Units, the percentages set forth in the applicable subsection of subclause (a) above, less Refinancing Proceeds previously distributed in respect of such Shopping Centre, plus, if such Sale occurs after December 31, 1983 and on or before December 31, 1996, the applicable percentage as set forth in subclause (b) above of the foregoing amount (before deducting Refinancing Proceeds), of the Equivalent Capital of the Class B Units and the Class C Units; and
- (d) thereafter, as to the balance thereof, as to 99.9% thereof, to Partners holding Units and, as to 0.1% thereof, equally to the General Partner and the Managing General Partner.

No amount of Sale Proceeds will be allocated to Partners holding Class C Units unless the land held for expansion at Sunridge Mall is used for Expansion or is sold.

As a result of the foregoing allocations, upon the Sale of a Shopping Centre, Partners holding Class A Units will receive the return of the Subscription Price for the Class A Units, to the extent of the percentages set forth in the applicable subsection of subclause (a) above in respect of such Shopping Centre less Refinancing Proceeds previously distributed in respect of such Shopping Centre in respect of the Class A Units plus, if such Sale takes place after December 31, 1983 and on or before December 31, 1996, an amount that is in the same proportion to the percentages by which the percentages per annum of the Cash Flow Assurance in respect of the fiscal periods ending after December 31, 1983 and on or before December 31, 1991 (9%) and ending after December 31, 1991 and on or before December 31, 1996 (15%), respectively, exceed the percentage per annum of the Cash Flow Assurance in respect of the fiscal periods ending on or before December 31, 1983 (8.57%), before any amount is distributed to Partners holding Class B Units (and, after Expansion on, or sale of, the land held for expansion at Sunridge Mall, the Class C Units) or the General Partner and the Managing General Partner. After the allocation and distribution of such amounts, Partners holding Class B Units (and, after Expansion or, or sale of, the land held for expansion at Sunridge Mall) Class C Units, are then entitled to an amount that is in the same proportion to the amount allocated and distributed to Partners holding Class A Units as the number of Class B Units (and, after the Expansion on, or sale of, the land held for expansion at, Sunridge Mall, the Class C Units) is to the total number of Units of all classes. Only after this amount is allocated to Partners holding Class B Units and Class C Units are Partners holding Class A Units entitled to share further in Sale Proceeds.

Accordingly, in order for Partners holding Class A Units to receive more than the foregoing percentages of the Subscription Price from an allocation and distribution of Sale Proceeds, the amount of Sale Proceeds must be more than the amount required to allocate and distribute to Partners holding Class

B Units (and, after the Expansion on, or sale of, the land held for expansion at, Sunridge Mall, the Class C Units) an amount that is in the same proportion to the amount first allocated to Partners holding Class A Units as the number of Class B Units (and, after the Expansion on, or sale of, the land held for expansion of Sunridge Mall, the Class C Units) is to the total number of Units.

An example of the allocation of Sale Proceeds at various amounts and at various times is set forth under “Benefits to Daon—Sale”.

Sale Proceeds will be distributed to those persons who were Partners as at the date the contract giving rise to such Sale Proceeds is completed.

#### *Allocation of Taxable Income and Tax Loss*

Income for income tax purposes, as calculated in respect of the Partnership in respect of any fiscal period will be allocated among the Partners in the same proportions as Distributable Net Income is allocated; see “Allocation of Net Income from Operations (Distributable Net Income)”. Losses for income tax purposes as calculated in respect of the Partnership in respect of any fiscal period will be allocated as Net Loss would be allocated; see “Allocation of Net Loss” and “Tax Consequences of an Investment in Class A Units”.

#### *Allocation and Distribution of Refinancing Proceeds*

Refinancing Proceeds will be allocated and distributed, as to 99.9% thereof, to Partners holding Units and, as to 0.1% thereof, equally to the General Partner and the Managing General Partner, except that Partners holding Class C Units will not be entitled to an allocation or distribution of Refinancing Proceeds until the Expansion on, or sale of, the land held for expansion at Sunridge Mall. Refinancing Proceeds will be distributed as soon as reasonably practicable after such proceeds are available. Distribution of Refinancing Proceeds will result in a return of all or part of the Subscription Price for the Class A Units held by a Partner. The Managing General Partner is required to include an express provision in any instrument evidencing borrowing by the Partnership (other than Initial Interim Financing or a Current Obligation) to the effect that the Limited Partners will have no personal liability in respect of such borrowing. However, to the extent that a Limited Partner receives a return of the Subscription Price in respect of a Class A Unit, such Limited Partner (including any successor to such Limited Partner) will be liable to creditors of the Partnership (other than the holder of the instrument evidencing such Refinancing) whose claims arose prior thereto, to the extent that assets of the Partnership are not sufficient to meet its liabilities, up to the amount of such Subscription Price that is returned to such Limited Partner, as well as with respect to the amount of the Subscription Price that has not been returned.

### **Special Provisions Relating to Daon**

#### *Assignment of Class B Units or Class C Units by Daon*

Daon is not entitled to assign any of its Class B Units or its Class C Units except if:

- (a) such assignment or transfer is in connection with and ancillary to a merger or amalgamation of Daon with another corporation or corporations;
  - (b) such assignment is to a wholly-owned subsidiary (but not with a view to, or for the purpose of, facilitating the sale of shares of such subsidiary);
  - (c) such assignment is as security for a loan made to, or an obligation of, Daon; or
  - (d) such assignment takes place after the earlier of:
    - (i) the date the Shopping Centres are open to the public and Major Tenants are paying or liable to pay rent; and
    - (ii) October 31, 1983 and
- (A) immediately after such assignment Daon holds Class B Units and Class C Units equal in number to 25% of all Units;

- (B) such assignment is made to a person who makes an offer to Partners holding Class A Units to purchase the Class A Units held by such Partners for not less than the greater of (i) the Net Adjusted Subscription Price per Class A Unit and (ii) the consideration per Unit payable to Daon per Class B Unit or Class C Unit; or
- (C) such assignment is approved by the Limited Partners by extraordinary resolution.

*Purchase of Class A Units by Daon after September 30, 1983*

Daon will purchase each Class A Unit offered to it after September 30, 1983 and on or before 5:00 p.m. (Vancouver time) on October 31, 1983 at the Net Adjusted Subscription Price per Class A Unit if, by September 30, 1983, the Shopping Centres are not open to the public and Major Tenants are neither paying nor liable to pay rent. In order to effect such purchase, if the foregoing conditions are not satisfied, Daon will invite tenders from all Partners holding Class A Units for the purchase of all such Class A Units at the aforesaid price as are tendered to Daon during the aforesaid period. If at least 90% of all Class A Units (other than those held by Daon) are offered or tendered to Daon as aforesaid, then the remaining Class A Units shall be deemed to have been offered or tendered to Daon and Daon shall purchase all the Class A Units. Daon shall then deposit the amount payable by it for the purchase of such remaining Class A Units in a special account named for such purpose in the notice inviting tenders and the Managing General Partner is authorized to assign such remaining Class A Units to Daon. After such deposit is made, the rights of the holders of such remaining Class A Units are limited to receiving their share of the amount so deposited against presentation and surrender of the Unit Certificates representing Class A Units previously held by them.

**Management of the Partnership**

*Managing General Partner*

Under the terms of the Partnership Agreement, the Managing General Partner is given full plenary authority to administer, manage, control and operate the business and affairs of the Partnership. The Managing General Partner is to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Partners and exercise the care, diligence and skill of a reasonably prudent person. No Limited Partner is permitted to take part in the control of the business of the Partnership. Under the provisions of The Partnership Act (Alberta), the limited liability of a Limited Partner who takes part in the control of the business of the Partnership will be lost.

The authority and power vested in the Managing General Partner to manage the business and affairs of the Partnership is broad and includes all authority necessary or incidental to carry out the objects, purposes and business of the Partnership, including the power to manage or supervise the management of the Shopping Centres, to operate the Shopping Centres, to enter into leases of space in the Shopping Centres, to expand a Shopping Centre and, subject to certain limitations set forth under "Refinancing" and "Sale of a Shopping Centre", to borrow money for the Partnership and to sell a Shopping Centre.

The Managing General Partner may be removed by the Limited Partners and a new Managing General Partner appointed in its place by ordinary resolution if it is determined that, by reason of a default by the Managing General Partner, there is a justifiable lack of confidence in the Managing General Partner; see "Change, Resignation or Removal of General Partner or Managing General Partner" and "Rights of Limited Partners".

*Expansion of a Shopping Centre*

The Managing General Partner has full authority to expand a Shopping Centre with the approval of the General Partner. If, after the Expansion of a Shopping Centre, Distributable Cash in respect of any fiscal period is less than the amount of the Cash Flow Assurance in respect of such fiscal period by reason only of the deduction of Debt Service in respect of such period in respect of money borrowed to finance such Expansion, then Daon will loan the deficiency, if any, to the Partnership and this loan will be repaid to Daon, with interest at the prime rate from time to time, before amounts in excess of the Cash Flow Assurance are distributed to Partners holding Class A Units. Additional Units may be issued (and additional Limited Partners admitted to the Partnership) to raise additional capital necessary to pay for the costs of any Expansion; see "Admission of Additional Limited Partners—Expansion of a Shopping Centre".



In the case of Sunridge Mall, Daon has received 50 Class C Units having an Equivalent Capital of \$6,250,000 (\$125,000 per Class C Unit) approximately representing the appraised value of the land held for expansion at Sunridge Mall. Until such land is used for Expansion, or is sold, no amount of Distributable Net Income or Sale Proceeds (unless such land is sold) will be allocated or distributed by the Partnership in respect of the Class C Units. When such land is used for Expansion, or is sold, amounts allocated and distributed in respect of a Class C Unit will be in the same proportion to amounts allocated and distributed in respect of a Class A Unit or a Class B Unit as the number (up to 200,000) of net rentable square feet of shopping centre space open to the public on such land is to 200,000 square feet or the selling price (up to \$6,250,000) of, or attributable to, such land is to \$6,250,000.

### *Refinancing*

The Managing General Partner may borrow money for the Partnership if:

- (a) such borrowing is:
  - (i) Initial Interim Financing;
  - (ii) to finance Development Costs incurred in respect of the Expansion of any Shopping Centre (or to refund such costs); or
  - (iii) a Current Obligation; or
- (b) such borrowing is from a Specified Lending Institution and:
  - (i) immediately after such borrowing and the distribution of Refinancing Proceeds resulting from such borrowing, the Net Adjusted Subscription Price per Class A Unit is less than \$37,500; or
  - (ii) the average annual amount of interest and mandatory sinking fund, purchase fund or instalment retirements of principal payable in respect of such borrowing (plus the amount estimated by the Managing General Partner, if any, of payments calculated by reference to revenue, income, cash flow or other like amounts in respect of the Shopping Centres to be paid in respect of such borrowing in the first 12 month period for which such amount is payable) does not exceed 14% of the largest principal amount of such borrowing at anytime outstanding; and

such borrowing (i) is approved by the General Partner and (ii) in the case of borrowing that is not Initial Interim Financing or a Current Obligation, contains provisions to the effect that no Limited Partner has any personal liability in respect thereof.

Refinancing of a Shopping Centre will affect the net income of the Partnership and the amounts distributed to the Partners, including the amount of the Cash Flow Assurance assured by Daon to, and to be distributed to, Partners holding Class A Units. If the percentage per annum of the Debt Service payable at any time in respect of such Refinancing exceeds the percentage per annum of the Cash Flow Assurance at such time, the percentage that amount assured by Daon to, and distributed to, a Partner holding Class A Units at such time is to the Subscription Price for a Class A Unit will be less than the percentage per annum in respect of the Cash Flow Assurance at such time.

### *Sale of a Shopping Centre*

The Managing General Partner may sell any Shopping Centre (with approval by the General Partner) after but not before December 31, 1983 but no more than one Shopping Centre may be sold before December 31, 1985. Before selling a Shopping Centre, the Managing General Partner must provide the Partners with the terms of the offer, an appraisal by an independent appraiser of the market value of the Shopping Centre to be sold and an explanation of the income tax consequences of such sale to the Partners. However, Limited Partners have no right to approve or to disapprove the Sale of a Shopping Centre. If a Shopping Centre is sold after December 31, 1983 and on or before December 31, 1996, Partners holding Class A Units have certain prior rights to the proceeds of such Sale; see "Allocation and Distribution of Sale Proceeds".

## **TAX CONSEQUENCES OF AN INVESTMENT IN CLASS A UNITS**

The tax consequences to investors of an investment in Class A Units will vary according to the status of the investor as an individual, trust or corporation, the province or provinces in which an investor resides or carries on business and, generally, the investor's own particular circumstances. The following discussion is, therefore, of a general nature only and is not intended to constitute advice to any particular investor. In addition, the discussion of income taxes which follows is limited to the consequences of investing in the Class A Units under the provisions of the Income Tax Act (Canada) (the "Act") to investors who are residents of Canada under the Act and who are not considered traders or dealers in real estate, securities, or partnership interests under the Act. References to income or loss mean income or loss as determined for the purposes of the Act. Each prospective investor should seek independent advice regarding the tax consequences of an investment in the Class A Units, based upon such investor's own particular circumstances.

Subject to the foregoing, in the opinion of Thorsteinsson, Mitchell, Little, O'Keefe & Davidson, special tax counsel for the General Partner, the following summary fairly presents the tax consequences of investing in Class A Units to most investors.

In this section the term "Partner" refers only to a Partner holding Class A Units.

### **Acquisition of Class A Units**

The acquisition of Class A Units by a Partner will normally be the acquisition of capital property. The cost of the Class A Units acquired, plus or minus adjustments required under the Act, will be the adjusted cost base of the Class A Units, against which a capital gain or capital loss is measured on a disposition of Class A Units; see "Disposition of Class A Units". The allocation of income or loss of the Partnership to a Partner will be included in computing the Partner's income; see "Computation of Income", and will also result in certain adjustments to the adjusted cost base of his Class A Units. Such adjustments include additions to the adjusted cost base for income and capital gains allocated to a Partner and reductions to the adjusted cost base for cash distributions received and for losses and capital losses allocated to a Partner. There are no immediate tax consequences to a Partner if the adjusted cost base of his Class A Units becomes a negative amount as a result of the adjustments referred to. The amount by which the adjusted cost base is negative at the time the Class A Units are disposed of by a Partner is added in computing any gain on the disposition of the Class A Units; see "Disposition of Class A Units".

### **Computation of Income**

The income or loss of the Partnership will be computed as if the Partnership was a separate person resident in Canada. However, the Partnership is not subject to tax under the Act. Rather, each Partner will be required to include, in computing his own income, his share of the income of the Partnership allocated to him in respect of the fiscal period of the Partnership ending in the Partner's taxation year, whether or not any such income is distributed to him in that year. The Partnership will furnish information to each Partner to assist him in declaring his share of the Partnership income; however, the responsibility for filing any required tax returns and reporting his share of the income of the Partnership falls solely upon each Partner.

In computing the income or loss of the Partnership, deductions will be claimed in respect of all available expenses and capital cost allowances to the extent permitted. Because of the difference between depreciation for accounting purposes and capital cost allowances claimed under the Act, income of the Partnership as reported in its financial statements may differ from the income of the Partnership for tax purposes and cash distributions to a Partner may exceed income allocated to him. If the Shopping Centres are refinanced, financing costs may cause cash distributions to a Partner to be less than income allocated to him for tax purposes; see "Refinancing of Shopping Centres".

The income or loss in respect of each fiscal period will be allocated at the end of each fiscal period among the Partners as set forth under "Allocation of Taxable Income and Tax Loss". The amount allocated to a Partner will be allocated to each person who was a Partner at the end of such fiscal period in proportion to the number of Class A Units held by him at that date. The amount allocated to each such Partner will be the same whether a Partner was a Partner for the whole of the fiscal year or for a portion thereof.

## First Time Deductions

In the first two fiscal periods of the Partnership ending December 31, 1980 and 1981, the deduction by the Partnership in computing its income of certain expenses (called the "First Time Deductions") incurred by the Partnership in connection with the issuing of the Class A Units and in connection with the construction, development, initial leasing and interim financing of the Shopping Centres will result in a loss, which will be allocated among the Partners as set forth under "Allocation of Taxable Income and Tax Loss".

The specific First Time Deductions which have been identified in connection with the development, construction, initial leasing and interim financing of the Shopping Centres and the estimated amounts thereof are:

| Item   | Estimated Amount                                     |                     |                     |
|--|--|---------------------|---------------------|
|  | In respect of the fiscal periods ending December 31, |                     |                     |
|  | 1980   | 1981                | Total               |
| Landscaping <sup>(1)</sup>                           | \$ 382,000   | \$ 1,553,000        | \$ 1,935,000        |
| Service connections <sup>(1)</sup>                   | 84,000   | —                   | 84,000              |
| Property taxes and insurance <sup>(1)</sup>          | 27,000   | 671,000             | 698,000             |
| Opening costs, brochures and printing <sup>(1)</sup> | 85,000   | 393,000             | 478,000             |
| Interim financing costs <sup>(1)</sup>               | 342,000  | 53,000              | 395,000             |
| Legal expenses <sup>(1)</sup>                        | 76,000   | 87,000              | 163,000             |
| Interest on interim financing <sup>(1)</sup>         | 2,516,000  | 13,319,000          | 15,835,000          |
| Amounts payable to Daon                              |  |                     |                     |
| Cash flow assurance                                  | 1,200,000  | —                   | 1,200,000           |
| Leasing services                                     | 1,503,000  | 1,527,000           | 3,030,000           |
| Interim financing                                    | 3,278,000  | —                   | 3,278,000           |
| Variable cost indemnity                              | 3,150,000  | —                   | 3,150,000           |
| Variable cost management                             | 184,000  | 66,000              | 250,000             |
| Landscaping services                                 | —  | 200,000             | 200,000             |
| Issue expenses <sup>(1)</sup>                        | 6,300,000  | —                   | 6,300,000           |
| Total  | <u>\$19,127,000</u>                                  | <u>\$17,869,000</u> | <u>\$36,996,000</u> |

### NOTE:

<sup>(1)</sup> The amounts for these items are estimates made by Daon on the basis of assumptions considered reasonable when prepared but which are subject to uncertainty and variation depending upon evolving events. There is no representation that the actual amounts will not be more or less than the estimated amounts indicated.

The nature and the estimated amounts of the First Time Deductions have been reviewed by special tax counsel for the General Partner with the officers of Daon. In the opinion of the special tax counsel, the nature and estimated amounts of the First Time Deductions are such that, if they are incurred by the Partnership, they will be deductible by the Partnership in computing its income in the year in which they are incurred, with the exception of the estimated amounts for landscaping and service connections which will be deductible in the year in which they are paid.

A Partner's share of any loss of the Partnership will be deductible from other sources of income in computing his own income, except to the extent that any such loss exceeds the adjusted cost base of his Class A Units.

Daon has obtained an advance income tax ruling from the Department of National Revenue on behalf of the Partnership. The advance income tax ruling provides, in effect, that the allocation of income and losses in the manner set out under "Allocation of Taxable Income and Tax Losses" is acceptable to the Department of National Revenue and that the existing provisions of the Act will not be applied to alter the allocation of the income and losses of the Partnership among the Partners. In addition, the Department of National Revenue has expressed its opinion that proposed amendments to the Act released on August 28, 1980 relating to the allocation of income and losses of a partnership are not applicable.



For the purposes of determining the share of income and losses of the Partnership to be allocated to the Partners holding Class B Units (presently, Daon), until the Shopping Centres are open to the public and Major Tenants are paying or liable to pay rent, the value of Daon's contribution to the Partnership at the time of the transfer by Daon to the Partnership of the lands upon which the Shopping Centres are being constructed and other tangible and intangible property which is allocated to the Class B Units is considered to be the difference between the total of the fair market value of the lands as at the date of the transfer and the cost to Daon of the other tangible and intangible property transferred less the amount of the cash payable to Daon by the Partnership in connection with such transfer.

Daon had obtained an appraisal of the fair market value at July 31, 1980 of the lands upon which the Shopping Centres are being constructed from A. George Oikawa, F.R.I., A.A.C.I., R.I. (B.C.) a qualified real estate appraiser independent of Daon: see "Appraised Value of the Shopping Centres". The Department of National Revenue has not expressed its opinion with respect to the accuracy of that valuation. Provided that such valuation is accurate, special tax counsel for the General Partner is of the opinion that the allocation of income and losses of the Partnership among the Partners is reasonable.

### **Election on Acquisition of Shopping Centres—Effect on Partners**

Daon and the Partnership have made the election described under "Election for Income Tax Purposes" in respect of the acquisition by the Partnership from Daon of the lands upon which the Shopping Centres are being constructed and other tangible and intangible property in connection therewith. The effect to Daon of the election is that Daon is deemed, for tax purposes, to have transferred the lands and such other property to the Partnership for proceeds equal to the amounts elected, which are, in the aggregate, equal to Daon's capitalized cost of the lands and other such property, so that Daon's tax liability at the time of the transfer will be reduced. The amounts elected in respect of the lands will be the cost of the lands to the Partnership for tax purposes and will be the amount upon which any gain or loss to the Partnership in respect of the lands will be based if a Shopping Centre is sold. The amounts elected in respect of the buildings, together with the additional amounts paid or incurred by the Partnership in respect of the development and construction of the buildings, will be the cost of the buildings to the Partnership and the amounts upon which capital cost allowances may be claimed by the Partnership in computing its income. If the election had not been made, the amounts upon which capital cost allowances could be claimed and therefore the amount which each Partner would retain, on an annual basis, after payment of income taxes, would be greater.

To the extent that the total of the amount payable in cash and the amount of the contribution to the Partnership recognized and allocated to the Class B Units and the Class C Units issued to Daon by the Partnership on the acquisition of the lands upon which a Shopping Centre is being constructed and other tangible and intangible property in connection therewith exceeds the elected amounts with respect to such Shopping Centre, (the "deferred income") income of the Partnership arising on the Sale of such Shopping Centre will be greater than the income would have been had the election not been made. The Partnership Agreement provides, however, that the deferred income will, to the extent that no part of the income arising on such sale is allocated to Partners holding Class A Units, be wholly allocated to the Partners holding the Class B Units (or, in the case of the land held for expansion at Sunridge Mall, the Class C Units), so that the Partner holding such Units (presently Daon) will be responsible for the tax that is payable on the deferred income. The income tax consequences to a Partner holding Class A Units upon a disposition of a Shopping Centre will, therefore, not be different than they would have been had the election not been made, provided that the income arising on such sale is equal or greater than the total of the applicable First Time Deductions and the amount of income allocated to the Partners holding Class A Units as set forth under "Allocation and Distribution of Sale Proceeds".

### **Refinancing of Shopping Centres**

Refinancing Proceeds that are distributed to a Partner will not be taxable when received but will reduce the adjusted cost base of his Class A Units. A subsequent disposition of the Class A Units will give rise to an increased capital gain or a reduced capital loss to the extent of such a reduction.

If a Shopping Centre or the Shopping Centres are refinanced, payments in respect of principal and interest and costs of such Refinancing will reduce the amount of cash distributed to a Partner. In such an

event, the income allocated to a Partner may exceed the amount of cash distributed to him, as the income of the Partnership for tax purposes will not be reduced by amounts in respect of repayments of the principal amount of such Refinancing.

#### **Sale of Shopping Centres**

To the extent that the Partnership claims capital cost allowances with respect to the buildings and equipment included in the Shopping Centres, the cost of such buildings and equipment is reduced for tax purposes, and the balance is called the “undepreciated capital cost”. If one or more of the Shopping Centres are sold, and the proceeds of such a sale or sales allocated to the buildings and equipment exceed the undepreciated capital cost thereof, the excess, up to the cost to the Partnership for tax purposes of the buildings and equipment, respectively, will be “recaptured” and will be treated as income of the Partnership. If the proceeds of such a sale or sales allocated to the buildings and equipment are less than the undepreciated capital cost thereof, the difference will be a “terminal loss” which will be deductible from the income of the Partnership for tax purposes. Any income or loss of the Partnership resulting from recapture or a terminal loss will be allocated to the Partners as described under “Allocation of Net Income from Operations (Distributable Net Income)” in respect of a fiscal period or any part thereof after the Shopping Centres are open to the public and Major Tenants are paying or liable to pay rent.

In view of the limitations on the purposes of the Partnership, it is anticipated that any gain in excess of the cost of the buildings and equipment of each Shopping Centre and any gain or loss in respect of the land subjacent thereto will be treated as a capital gain or capital loss, one-half of which will be a taxable capital gain or allowable capital loss. Each Partner's share of such taxable capital gain must be included in computing his income; his share of such allowable capital loss will be deductible in computing his income subject to the restrictions generally applicable to the deduction of capital losses. If a Shopping Centre is not treated as capital property of the Partnership, any gain or loss on the disposition will be treated as ordinary income or loss from a business of the Partnership and will be fully included in computing the income of a Partner and any loss will be fully deductible subject to any limitation in respect of the deduction of losses by a Partner.

The income of the Partnership arising on the Sale of a Shopping Centre, other than recapture, (whether such income is characterized as taxable capital gain or ordinary income), to the extent that the amount of such income equals the amount of the First Time Deductions in respect of such Shopping Centre, will be allocated among the Partners in the manner set out under “Allocation of Net Income from Operations (Distributable Net Income)” in respect of the period until the Shopping Centres are open to the public and Major Tenants all paying or liable to pay rent. The result of such allocation is that the amount of the First Time Deductions claimed in respect of such Shopping Centre will be notionally recaptured for income tax purposes, and Partners holding Class A Units will be responsible to pay the tax on such amount of income to the extent that losses resulting from the deductions of such amount by the Partnership in computing its income were allocated to such Partners.

#### **Disposition of Class A Units**

The gain or loss from the disposition by a Partner of his Class A Units will be regarded as a capital gain or capital loss. Such gain or loss will be equal to the difference between his proceeds and the adjusted cost base of the Class A Units; see “Acquisition of Class A Units” with respect to the meaning of “adjusted cost base”.

#### **Dissolution of Partnership**

If the decision is made to dissolve the Partnership, then the Shopping Centres will be sold. After the Shopping Centres have been sold, the Partnership will be wound-up and each Partner will be considered as having disposed of his Class A Units for proceeds of disposition equal to the amount of any cash or other property received from the Partnership in satisfaction of his Class A Units. The tax consequences of the Sale of the Shopping Centres are described under “Sale of Shopping Centres” and the tax consequences of the disposition of Class A Units are described under “Disposition of Class A Units”.

#### **Non-Eligibility for Investment by Deferred Income Plans**

The Class A Units will not be considered qualified investments under the Act for registered retirement savings plans, deferred profit sharing plans, registered home ownership savings plans or registered retirement income funds. In addition the Class A Units will be considered foreign property when acquired by registered pension funds or plans and the other deferred income plans described in this paragraph.

### **Interest Expense Incurred by a Partner**

Reasonable interest expense incurred by a Partner in purchasing Class A Units will be deductible by the Partner in computing his income under the Act.

### **Tax on Paid-up Capital of Corporations**

The Province of British Columbia imposes a tax on the paid-up capital of certain corporations. A Partner which is a corporation and which is not otherwise liable to pay this tax may be liable to pay the tax as a result of becoming a Partner.

### **Alberta Income Tax Act**

As Partners, holders of Class A Units will be considered to be carrying on business in the Province of Alberta. Partners which are corporations will be required, under the Income Tax Act of Alberta, to file an income tax return in the Province of Alberta as well as under the Act. No additional tax will result from the requirement to file a separate return in the Province of Alberta.

## **POTENTIAL CONFLICTS**

Various potential conflicts of interest may exist between the Partnership and Daon as General Partner and between Partners holding Class A Units and Daon as the Partner holding Class B Units and Class C Units. The conflicts arise as a result of Daon's interest in the Partnership (as represented by the Class B Units and the Class C Units) and its power and authority as General Partner and that of Daon Properties Ltd. as Managing General Partner to manage and operate the business and affairs of the Partnership. The involvement of the General Partner and its affiliates in a wide range of real estate development and investment activities may also give rise to conflicts of interests. Where potential conflicts are thought to arise between Daon and Partners holding Class A Units, certain provisions and limitations have been included in the Partnership Agreement to protect the interests of the Partners holding Class A Units. In addition, the General Partner and Managing General Partner have fiduciary obligations to the Limited Partners; see "Fiduciary Responsibility of the General Partners". These potential conflicts of interest and such provisions and limitations include, but are not limited to, those referred to below.

### **Sale or Refinancing of Shopping Centres**

Daon and its affiliate, as General Partner and Managing General Partner, have the power and authority to sell a Shopping Centre or to obtain financing for the Partnership. Daon, as the Partner holding the Class B Units and the Class C Units, has a substantial interest in amounts of Sale Proceeds and Refinancing Proceeds that may become available for distribution as a result of a Sale or Refinancing.

The amounts of the Cash Flow Assurance and Prior Allocation are each determined after a deduction for Debt Service and Funded Interest Expense, respectively, but the percentage amounts assured by Daon are determined before deducting Debt Service. Refinancing may, therefore, be of significantly greater advantage to Daon as holder of Class B Units and Class C Units than to Partners holding Class A Units. In addition, Refinancing will affect the amount of Distributable Cash available for distribution to Partners. Daon, as holder of Class B Units and Class C Units, might have a greater interest than would a Partner holding Class A Units in receiving a distribution of Refinancing Proceeds than continuing to receive annual distributions of Distributable Cash. As Sale Proceeds, after the amount of the percentage of the Subscription Price for the Class A Units in respect of the Shopping Centre that is sold is allocated to Partners holding Class A Units, to the extent the sales price does not exceed an amount approximately equal to the fair market value at July 31, 1980 of the Shopping Centres (see "Appraised Value of the Shopping Centres") Daon may have a greater interest in a more immediate Sale of a Shopping Centre than would Partners holding Class A Units. Limited Partners cannot be given the right to institute or approve any Sale or Refinancing as the exercise of any such right by the Limited Partners may be considered as taking part in the control of the business of the Partnership and, thereby, result in a loss of the limited liability of the Limited Partners.

As a result of the foregoing, certain limitations and provisions have been included in the Partnership Agreement to protect the interests of Partners holding Class A Units in the event of a Sale or Refinancing. These provisions include, but are not limited to, the following:

- (1) a prohibition against the Sale of any Shopping Centre before 1984 and against the sale of more than one Shopping Centre before 1986;



- (2) a prior allocation of Sale Proceeds to Partners holding Class A Units to return to them the Subscription Price for the Class A Units (as allocated among the Shopping Centres) plus, if a Sale occurs after 1983 and before 1997, an amount proportionate to the increase in the percentage rate of the Cash Flow Assurance in such years over the years prior to 1984 before any Sale Proceeds are allocated to Partners holding Class B Units and Class C Units;
- (3) a limitation on the power of the Managing General Partner to Refinance unless (i) the average annual payments in respect of such Refinancing do not exceed 14% per annum of the largest principal amount of such borrowing at any time outstanding (approximately the same percentage rate per annum as the percentage rate per annum at which Partners holding Class A Units might be expected to be able to borrow money to acquire such Class A Units); or (ii) at least 70% of the amount initially invested in Class A Units is returned to such Partners; and
- (4) a requirement that “long term financing” be borrowed from Specified Lending Institutions.

Upon the Sale of a Shopping Centre a larger proportionate share of the net proceeds received by the Partner holding Class B Units and Class C Units (presently Daon) than by Partners holding Class A Units will be taxable. A conflict of interest could arise because it may be beneficial for the General Partner to delay the Sale of a Shopping Centre while a more immediate Sale might be advantageous to the Partners holding Class A Units.

Daon may have an interest in retaining, instead of selling, a Shopping Centre in order to continue distributions and any property management fees payable to Daon and its subsidiaries in respect of that Shopping Centre, especially if the Sale Proceeds realizable at the time would not be large enough to provide an adequate distribution in respect of the Class B Units and the Class C Units held by it.

The Managing General Partner may, subject to certain conditions, borrow money for the Partnership. A conflict may arise in certain instances where such borrowing would be beneficial to Daon but not to the ongoing best interests of the Partnership or the Partners holding the Class A Units; see “Refinancing”.

### **Expansion of a Shopping Centre**

The Managing General Partner has full authority to expand a Shopping Centre, and to borrow money or expend money of the Partnership for the costs of such Expansion. Borrowings by the Partnership to finance the Expansion of a Shopping Centre may reduce the amount of Distributable Cash available for distribution to Partners. The Expansion of a Shopping Centre may be in the ongoing best interests of all Partners, but the investment objectives of Partners holding Class A Units may be different than those of Daon. The Partnership Agreement contains provisions requiring Daon to loan the Partnership amounts by which Distributable Cash is reduced if the income generated from the Expansion is insufficient to cover the increased Debt Service attributable to money borrowed to pay for such Expansion, but this amount is repayable to Daon, with interest at the prime rate, before Partners share further in distributions by the Partnership.

Daon has contributed the land held for expansion at Sunridge Mall to the Partnership for 50 Class C Units to which capital of \$6,250,000 has been allocated. However, no Distributable Net Income, Distributable Cash, Refinancing Proceeds or Sale Proceeds are allocated in respect of the Class C Units unless such land is used for Expansion or is sold and then, only in proportion to the extent of such Expansion or the sale price for such land.

### **General Partner's Involvement in Other and Competing Real Estate Activities**

The General Partner, the Managing General Partner and their affiliates are not in any way limited or affected in their ability to carry on for their own account or for the account of others, other real estate activities or business ventures and may be engaged in the development of, investment in, or management of, competing real estate properties (including other shopping centres that may compete with the Shopping Centres operated by the Partnership). Neither the Partnership nor any other Partner will be entitled to any opportunity to invest in any such property or venture or to any profit therefrom or to any interest therein. The General Partner may have a conflict of interest in carrying out its obligations to the

Partnership as a result of its involvement in competing real estate activities. However, so long as Daon is General Partner, and holds the Class B Units and the Class C Units, it has a substantial interest in the affairs of the Partnership.

#### **Competition for Services**

The Partnership will not have independent management and will rely upon Daon Properties Ltd., as Managing General Partner, and Daon Management Ltd., as Property Manager (each a wholly-owned subsidiary of Daon) to manage the business of the Partnership and the Shopping Centres. Their employees will devote only so much of their time to the business of the Partnership as in their judgment is reasonably required. All of the directors and officers of Daon Properties Ltd. and of Daon Management Ltd., are full time officers or employees of Daon, and will have conflicts of interest in allocating management time, services and functions among the Partnership and their other development, investment or management activities on behalf of Daon, its affiliates and other ventures in which Daon participates or for which Daon and its affiliates have agreed to provide services. The Partnership Agreement provides, however, that the Partners may, by ordinary resolution, (upon which resolution Daon may not vote), replace the Managing General Partner (if it is determined that, by reason of a default by the Managing General Partner, there is a justifiable lack of confidence in the Managing General Partner; see “Change, Resignation or Removal of General Partner or Managing General Partner” and “Rights of Limited Partners”) and the Property Management Agreement provides that, if the Managing General Partner is so replaced, the Property Management Agreement may be terminated by the Partnership. In addition, Daon has and is required to maintain a substantial continuing economic interest in the Partnership as it must continue to hold at least 25% of all Units, unless the assignment of these Units is approved by an extraordinary resolution of Partners other than Daon.

#### **Lack of Independent Investigation by Underwriter**

The Partnership will not have the benefit of an independent investigation of the type which would be normally performed by an underwriting firm in connection with the offering of the Class A Units.

#### **Lack of Separate Representation**

The Partnership and Daon are represented by the same legal counsel, accountants and other experts. However, should a dispute arise between the Partnership and the General Partner or the Managing General Partner or an affiliate of either of them, the Managing General Partner would retain separate legal counsel for the Partnership with respect to such matters.

#### **Savings of Development Costs**

Daon, as General Partner, and Daon Properties Ltd., as Managing General Partner, have considerable power, authority and latitude in the design of the Shopping Centres and in the materials used and workmanship provided in the construction of the Shopping Centres. Daon is liable to pay for cost overruns and a conflict may arise as it may be in Daon's interest to save money through lower construction standards and less expensive materials and workmanship. However, Daon is responsible to remedy defects appearing within two years of substantial completion of the Shopping Centres and any savings, resulting from Development Costs and Issue Expenses being less than \$177,625,000, are distributed to the Partners as Refinancing Proceeds. Partners holding Class A Units (which may include Daon) will receive approximately 64% of any cost savings while Daon will receive only approximately 36% of such savings.

### **FIDUCIARY RESPONSIBILITY OF THE GENERAL PARTNERS**

The General Partner and the Managing General Partner are accountable to the Partnership as fiduciaries and consequently must exercise good faith and integrity in managing the business of the Partnership and the utmost fairness towards the other Partners in the business of the Partnership. In cases in which conflicts of interest arise the General Partner and the Managing General Partner are required to act in the best interest of all Partners. However, the Partnership Agreement expressly provides that neither the General Partner, nor the Managing General Partner, nor any of their affiliates is required to offer any investment opportunity to the Partnership. Limited Partners who have questions concerning the fiduciary duties of the General Partner and the Managing General Partner should consult with their own counsel.

If the General Partner or the Managing General Partner fail to perform their obligations as fiduciaries, there can be no assurance that adequate remedies will in all instances be available to the Limited Partners.

## **RISK FACTORS**

Investment in the Class A Units involves various risks. Prospective investors should review these risks with their professional advisors and should consider, in addition to matters discussed elsewhere in this Offering Memorandum, the following:

### **Limited Marketability**

There is presently no public market for the Class A Units nor can there be any assurance that a public market will develop. Therefore, investors may not be able to liquidate their investment on a timely basis and Class A Units may not be readily accepted as collateral for a loan. Investment in Class A Units should only be considered by those investors who are able to make and bear the economic risk of a long term investment.

The Class A Units are not being offered for sale pursuant to a prospectus filed with any securities commission or similar regulatory authority and an investor is required to represent and warrant that he is purchasing as a principal and not with a view to distribution or resale and that he will comply with applicable securities legislation. In certain provinces, the purchase or sale of Class A Units will require the execution and filing of certain declarations and undertakings with respect to the purchase and resale of any Class A Units.

### **Assessment of the Investment and Reliance upon Daon**

In assessing the risks and rewards of an investment in Class A Units, potential investors should appreciate that they are relying on the good faith, experience and judgment of Daon to construct, complete, lease, open for business, operate and finance the Shopping Centres, and to make appropriate decisions with respect to the management of Partnership business including decisions in respect of Refinancing, Expansion or Sale of a Shopping Centre. Limited Partners have no right to take part in the control of the business of the Partnership and the Partnership will be bound by the decisions of the General Partner and the Managing General Partner. It would be inappropriate for investors who are unwilling to rely on the General Partner and the Managing General Partner to this extent and to entrust them with all aspects of the management of the Partnership to purchase Class A Units.

Investors will also be relying upon the financial ability of Daon to pay for cost overruns with respect to the completion of the development, construction, initial leasing and interim financing of the Shopping Centres, to provide funds for the Cash Flow Assurance and if, the Shopping Centres are not complete by October, 1983, and Major Tenants are neither paying nor liable to pay rent, to purchase such Class A Units as are offered to it. In these respects, investors will be unsecured creditors of Daon.

### **Risks of Investment in the Shopping Centres and Real Estate**

There is no assurance that the Shopping Centres will be completed in a timely manner, or at all, or leased at rental rates that are projected, or at all, or constructed for not more than the estimated Development Costs. Letter agreements have been signed with Major Tenants and although no binding leases have been signed by mall retail store tenants expressions of interest have been received. The Shopping Centres are now under construction. Construction contracts for Heritage Mall and Sunridge Mall have not been signed but letter agreements have been exchanged. The Initial Interim Financing is repayable on April 15, 1982 and there is no assurance that the Shopping Centres will be open to the public by that date. Although the net proceeds of this offering will be deposited to a Project Fund and cannot be withdrawn until the Shopping Centres are open, the cash deposited in such Project Fund remains the property of the Partnership and is available to satisfy claims of creditors, including those of the Lenders providing Initial Interim Financing, even though the conditions for the withdrawal of such cash had not been fulfilled at such time. The risk of loss resulting from noncompletion is reduced by Daon's obligation to purchase all Class A Units offered to it after September 30, 1983 and on or before October 31, 1983 if the Shopping Centres are not open to the public and Major Tenants are neither paying nor liable to pay rent. The risk of cost overruns is reduced by Daon's obligation to pay for such overruns.



The Partnership will also be subject to the risks inherent in the ownership of real estate in general and shopping centres in particular, such as fluctuations in occupancy rates, the inability to achieve economic rental rates, competition from other shopping centres and increases in operating costs caused by general and local economic conditions, the supply of and demand for shopping centre space, the financial resources of tenants and changes in interest rates and in the availability and cost of money for long term financing which may render the permanent financing of the Shopping Centres difficult or unattractive. As the income generated by a Shopping Centre is dependent upon general economic conditions in the areas of the Shopping Centres, the return to the investors is subject to changes in general economic conditions in these areas.

The financial failure of a tenant resulting in the termination of such tenant's lease might cause a reduction in the cash flow of the Partnership. In the event of such a termination, there can be no assurance that the Partnership would be able to find a new tenant for the property at the same rental rate. The success of a regional shopping centre also depends on the continued existence of the major department store tenants and loss of such a tenant, coupled with the limited number of similar tenants available to replace such a tenant, would have a significant impact on the financial success of a Shopping Centre as a whole. To the extent that the rental income is based on a percentage of gross sales of tenants, the income of the Partnership is dependent upon the retail success achieved by such tenants and the Shopping Centre as a whole.

The Partnership may borrow funds upon the security of the Shopping Centres or sell a Shopping Centre. To the extent amounts of such borrowings or proceeds of such Sale are distributed to a Partner holding Class A Units as Refinancing Proceeds or Sale Proceeds, such borrowings or such Sale will have the effect of returning part of the contribution to the capital of the Partnership made in respect of the Class A Units held by such Partner. In such circumstances, a Partner holding Class A Units will be liable to the Partnership to the extent such contributions as are returned to him if the assets of the Partnership are not sufficient to meet its liabilities to creditors who have valid claims that arose prior to the return of such contributions. In addition, the risk of loss is increased because of the debt service requirements associated with such borrowings. If the Partnership defaults on such secured indebtedness, the lender would be entitled to exercise available legal remedies against the Partnership including foreclosure procedures which could result in the loss of the Shopping Centres.

#### **Risk of Change in Investment Return**

The amount of income to be allocated and cash to be distributed to a Partner holding Class A Units (including the amount of the Prior Allocation and the Cash Flow Assurance) is dependent upon the amount payable by the Partnership in respect of interest, principal and other charges in respect of "long term debt" of the Partnership. While this offering is on the basis that the Shopping Centres are unencumbered by long term financing and no amount of Debt Service is contemplated at this time, when long term financing is obtained, the effect of the deduction of such interest, principal and other charges might reduce the amounts allocated and distributed to a Partner holding Class A Units and will reduce such amounts to less than the amounts determined on the basis of the percentages per annum of the Prior Allocation and the Cash Flow Assurance if the percentage per annum of the amount payable in respect of instalments of interest, principal and other charges in respect of "long term debt" exceed such percentages. An investor has no assurance, therefore, that any amount will be distributed to him or that the percentages per annum of amounts distributed to him will be at least equal to the percentages per annum of the Cash Flow Assurance. Partners who use their own funds to purchase Class A Units may be affected differently than Partners who borrow funds to purchase Class A Units.

#### **Possible Loss of Limited Liability**

While the laws of the Province of Alberta, under which the Partnership is formed, provide that the liability of a Limited Partner is limited to the amount that such Partner (or his predecessor) agreed to contribute to the Partnership, as set forth under "Limited Liability of Limited Partners", there is a risk that this limitation of liability could be lost under certain circumstances, such as the participation by a Limited Partner in the control of the business of the Partnership. The preservation of limited liability requires compliance with certain formal requirements, such as the filing of an accurate certificate of limited partnership and the making of timely amendments to that certificate. The Managing General Partner has undertaken to comply with all such requirements. The principles of Canadian law recognizing the limited

liability of limited partners where a partnership incurs obligations in a province other than the one in which it was formed have not yet been authoritatively established. The Managing General Partner will endeavour to manage the operations of the Partnership in such a manner as to expose the Partners holding Class A Units to the least possible risk that their liability would exceed the amount of the Subscription Price for the Class A Units and to ensure that the value of the Partnership's assets will always exceed its liabilities to third parties, but there is no assurance that the Managing General Partner will be able to do so. The General Partner has agreed to indemnify a Limited Partner from any costs, damages, liabilities or expenses suffered or incurred by such Limited Partner because his liability is not so limited unless the loss of limited liability results from any act or omission of such Limited Partner. The amount of this indemnity is limited to the extent of the net assets of and would be an unsecured claim against the General Partner.

## **Tax Matters**

The Canadian federal and provincial income tax treatment of real estate activities and of partnerships has a material effect on the advisability of investing in Class A Units (see "Tax Consequences of an Investment in Class A Units"). The return on investment to a Partner holding Class A Units is subject to changes in Canadian federal and provincial tax laws. There can be no assurance that such tax laws will not be changed in a manner which will fundamentally alter the tax consequences to investors of holding or disposing of Class A Units.

## **BENEFITS TO DAON**

The following is a summary of the types and, where appropriate, the estimated amount of benefits to be obtained by Daon, or by Daon as General Partner, (including those benefits to affiliates) that result from or are a part of this offering. These benefits were established by the General Partner and are not based upon arm's length negotiations.

### **Organization and Offering, Operation and Refinancing**

| <u>Type of Benefit<br/>and Recipient</u>   | <u>Estimated Amount<br/>of Benefit</u>  |
|--|---|
| <u>Organization and Offering</u>   |   |
| Repayment to Daon of Agents' commission payable with respect to Class A Units purchased by Daon and by directors, officers and employees of Daon who purchase Class A Units: | \$3,750 per Class A Unit (up to a maximum of \$3,900,000 if Daon purchases all 800 Class A Units for which it may subscribe and the directors, officers and employees purchase all 240 Units for which they may subscribe); |
| Reimbursement to Daon for Daon's cost of the land and other property and other costs incurred by Daon prior to the acquisition thereof by the Partnership:                   | \$36,055,000  |
| Fees payable to Daon for the services, expertise and commitments to be provided by Daon:   | \$18,497,000, equal to an amount estimated to be incurred by Daon in connection with the development of the Shopping Centres.   |

### Operations

Distributable Net Income allocable to Daon as holder of Class B Units and Class C Units (so long as Daon holds 750 Class B Units and 50 Class C Units and is General Partner and Daon Properties Ltd. is Managing General Partner):

- |     |  |     |  |
|-----|--|-----|--|
| (i) | for each fiscal period or part thereof commencing after the Shopping Centres are open to the public and Major Tenants (other than Eaton's in respect of Heritage Mall) are paying or liable to pay rent and ending on or before December 31, 1996, after allocation of the Prior Allocation to Partners holding Class A Units: | (i) | —if the amount of Distributable Net Income in respect of each such fiscal period is equal to but not more than the total of the Prior Allocation and the Equivalent Prior Allocation for such fiscal period and there is no Funded Interest Expense: |
|-----|--|-----|--|

**Type of Benefit  
and Recipient**

**Estimated Amount  
of Benefit**

|  |  |
|--|--|
|  | <p>in respect of each such fiscal period:<br/> ending on or before December 31, 1983; \$8,034,375;<br/> ending after December 31, 1983 and on or before December 31, 1991: \$8,437,500 (\$9,000,000 after expansion or sale of Sunridge Mall).<br/> ending after December 31, 1991 and on or before December 31, 1996: \$14,062,500, (\$15,000,000 after expansion or sale of Sunridge Mall);</p> <p>—to the extent that Distributable Net Income exceeds the amount allocated above:</p> <p>34.61% of Distributable Net Income (36.08% after expansion or sale of Sunridge Mall) in each fiscal year; actual amounts will depend on future operations and are not now determinable.</p> |
| (ii) for each fiscal period ending after December 31, 1996;  | (ii) 34.61% of Distributable Net Income (36.08% after expansion or sale of Sunridge Mall) in each fiscal year; actual amounts will depend on future operations and are not now determinable.   |
| Reimbursement to the General Partner and the Managing General Partner for direct expenses of the General Manager and the Managing General Partner relating to the administration of the Partnership: | estimated to be \$75,000 in 1981; actual amounts for future periods are not now determinable.  |
| Fees paid to Daon Management Ltd. (a wholly-owned subsidiary of Daon) for its services as Property Manager:  | 1.63% of gross rental revenue from the Shopping Centres; actual amounts depend on future operations and are not now determinable.  |

**Refinancing**

**Refinancing Proceeds:**

allocable to Daon as holder of Class B and Class C Units (so long as Daon holds 750 Class B and 50 Class C Units) and is General Partner (and to Daon Properties Ltd. is Managing General Partner:

34.61% of Refinancing Proceeds (36.08% after expansion or sale of Sunridge Mall); actual amounts depend on the amount of Refinancing Proceeds and are not now determinable.

**Sale**

The amount of Sale Proceeds to be distributed to Daon and Daon Properties Ltd. (so long as Daon holds 750 Class B Units and 50 Class C Units and is General Partner and Daon Properties Ltd. is Managing General Partner) upon the Sale of a Shopping Centre depends upon the amount of Sale Proceeds resulting from such Sale and the date upon which such Sale takes place. By way of example only, and in order to illustrate the distribution of Sale Proceeds at various dates, it has been assumed that (i) a Shopping Centre is sold in each of the years 1984 (the first year in which a Shopping Centre may be sold); 1996 (the last year in which Daon has assured a distribution as set forth under "Cash Flow Assurance to Partners holding Class A Units") and 1997, (ii) the assumed selling price for each Shopping Centre is determined by capitalizing the amount of the projected net operating income of such Shopping Centre for the year of sale (as shown under the statements of "Projected Income" for each Shopping Centre contained in this Offering Memorandum) at 8.25% (*i.e.*, the equivalent percentage per annum, compounded monthly, of 8.57% per annum (the percentage per annum of the Cash Flow Assurance in 1980)), and (iii) no Refinancing Proceeds have previously been distributed and the entire amount of such purchase price is Sale Proceeds available for distribution to Partners. Based upon the foregoing assumptions, the amount of Sale Proceeds to be allocated and distributed among the Partners upon the Sale of each Shopping Centre is as follows:



purchase price is Sale Proceeds available for distribution to Partners. Based upon the foregoing assumptions, the amount of Sale Proceeds to be allocated and distributed among the Partners upon the Sale of each Shopping Centre is as follows:

#### *Heritage Mall*

| <u>Year of Sale</u> | <u>Projected net operating income</u> | <u>Assumed selling price and Sale Proceeds</u> | <u>Amount allocated to Daon</u> | <u>Amount allocated to Partners holding Class A Units</u> |
|---------------------|---------------------------------------|--|---------------------------------|---|
| 1984                | \$ 9,606,000                          | \$116,436,000                                  | \$ 39,229,000                   | \$ 77,207,000   |
| 1996                | \$22,654,000                          | \$274,594,000                                  | \$ 94,912,000                   | \$179,682,000   |
| 1997                | \$25,826,000                          | \$313,042,000                                  | \$108,272,000                   | \$204,770,000   |

#### *Bower Place Shopping Centre*

| <u>Year of Sale</u> | <u>Projected net operating income</u> | <u>Assumed selling price and Sale Proceeds</u> | <u>Amount allocated to Daon</u> | <u>Amount allocated to Partners holding Class A Units</u> |
|---------------------|---------------------------------------|--|---------------------------------|---|
| 1984                | \$ 5,037,000                          | \$ 61,055,000                                  | \$ 18,917,000                   | \$ 42,138,000   |
| 1996                | \$12,438,000                          | \$150,764,000                                  | \$ 52,112,000                   | \$ 98,652,000   |
| 1997                | \$14,146,000                          | \$171,467,000                                  | \$ 59,306,000                   | \$112,161,000   |

#### *Sunridge Mall*

| <u>Year of Sale</u> | <u>Projected net operating income</u> | <u>Assumed selling price and Sale Proceeds</u> | <u>Amount allocated to Daon</u> | <u>Amount allocated to Partners holding Class A Units</u> |
|---------------------|---------------------------------------|--|---------------------------------|---|
| 1984                | \$ 8,357,000                          | \$101,297,000                                  | \$ 34,106,000                   | \$ 67,191,000   |
| 1996                | \$20,655,000                          | \$250,364,000                                  | \$ 86,542,000                   | \$163,822,000   |
| 1997                | \$23,325,000                          | \$282,727,000                                  | \$ 97,790,000                   | \$184,937,000   |

#### NOTES:

The amounts allocated to Daon and to Partners holding Class A Units has been determined before the use of the lands held for expansion at Sunridge Mall and, accordingly, no amount has been allocated in respect of the Class C Units; no amount of the assumed selling price includes an amount for lands held for expansion at Sunridge Mall as the assumed selling price is based upon projections that make no assumption with respect to income that might be generated if Sunridge Mall were expanded on the lands held for expansion at Sunridge Mall.

This amount allocated to Daon has been allocated on the assumption that Daon holds 750 Class B Units and includes the 0.1% allocated to the General Partner and the Managing General Partner.

#### **Deferral of Income Tax**

The effect to Daon of the elections described in "Election for Income Tax Purposes" is to defer the income tax that would have been incurred at the time of the transfer of the lands upon which the Shopping Centres are being constructed (including land held for expansion at Sunridge Mall) and all other tangible and intangible property in connection therewith until the Shopping Centres (or such land), or any of them, are sold by the Partnership.

#### **Appreciation of Adjacent Property**

Daon presently holds four parcels of land adjacent to the land transferred to the Partnership for the construction and subsequent expansion of Sunridge Mall; see "Site Plan and Merchandise Plans—Sunridge Mall". It is anticipated that such land will appreciate in value as a result of the development and construction of Sunridge Mall.

#### **Income from Investments**

Net proceeds from the sale of Class A Units, after the conditions referred to under "Plan of Distribution" are satisfied, will be deposited in a Project Fund and may be deposited or invested in certain investments; see "Project Fund". The interest on such deposits and the net gain on such investments will be paid to the Partnership, and may be used to provide funds for the Cash Flow Assurance. A small part of the income of the Partnership from such interest or gain is allocated to Daon as holder of Class B Units

or Class C Units. To the extent that amounts deposited to the Project Fund are used to fix the interest rate payable by the Partnership upon Initial Interim Financing, the risk to Daon of having to pay for cost overruns is reduced.

### **Potential Profit to Daon**

If all of the 1420 Class A Units offered for sale by this Offering Memorandum are sold to persons other than Daon and Development Costs and Issue Expenses incurred by the Partnership do not exceed \$177,625,000, the amount estimated by Daon as the profit it will record in its financial statements, after the Shopping Centres are open to the public and Major Tenants are paying or liable to pay rent, will be in the range of \$50,000,000 to \$60,000,000.

### **Payment of Development Costs**

The total estimated Development Costs for the Shopping Centres will be paid from the net proceeds of this Offering. Daon will continue to own (through the Class B Units and the Class C Units held by it) an approximate 36% interest in the Shopping Centres. However, this interest cannot be realized until Partners holding Class A Units have been allocated the Prior Allocation and certain priorities upon an allocation and distribution of Sale Proceeds and after the Cash Flow Assurance has been paid.

## **PLAN OF DISTRIBUTION**

Agency Agreements ("Agency Agreements") will be entered into by the Partnership with certain persons ("Agents") permitted by law to offer Class A Units for sale whereby each Agent has been appointed as an agent of the Partnership to use its best efforts to obtain subscriptions for Class A Units, subject to the terms and conditions contained in the Agency Agreements. If all Class A Units are subscribed for by December 1, 1980 (or such later date to which such date may be extended by written notice to the Custodian and persons who have then subscribed for Class A Units but not later than December 21, 1980), the Agents will receive an agents' commission of \$3,750 per Class A Unit plus \$625 for each Class A Unit sold by any Agent in excess of 160 Class A Units (\$20,000,000) sold by such Agent and a further \$625 for each Class A Unit sold by any Agent in excess of 240 Class A Units (\$30,000,000) sold by such Agent. No increased commission will be payable in respect of any Class A Unit subscribed for by Daon or by any of its directors, officers or employees. The increased commission is estimated to total \$250,000.

Daon may purchase up to 800 Class A Units. On Class A Units purchased by Daon, \$ 3,750 per Class A Unit (being the commission payable on such Class A Unit) will be repaid by the Agent to Daon. In addition, certain directors, officers and employees of Daon have indicated an intention to purchase a total of 200 Class A Units and, on Class A Units purchased by such persons, \$3,750 per Class A Unit will also be repaid by the Agent to Daon. No Class A Units may be subscribed for by Daon, and not more than 240 Class A Units may be subscribed for by any director, officer or employee of Daon, if a duly executed subscription has been received in respect of such Class A Units from others by the time the offering of the Class A Units is completed.

The Agents have agreed to use their best efforts to obtain subscriptions for the Class A Units but no Agent is obligated to purchase any Class A Unit. The General Partner may terminate the offering at any time without notice and will not be required to accept subscriptions tendered.

In connection with the offering of Class A Units, the General Partner may obtain subscriptions for more than the number of Class A Units offered hereby and, if so, subscriptions, if, as and when accepted by the General Partner will be accepted in the order in which the "Expressions of Interest" (referring to the "Preliminary Summary Offering Memorandum" dated October 10, 1980) were received by the Partnership from subscribers before such subscribers received this Offering Memorandum except that no such subscription will be accepted in the order in which such person delivered an "Expression of Interest" unless a duly completed and executed Signature Page and Power of Attorney for the Partnership Agreement (as set out in Schedule "A" thereto) is received by the Custodian within five days of the date upon which this Offering Memorandum was delivered to such person.

The subscriptions, subscription monies and letters of credit will be deposited with National Trust Company, Limited (the "Custodian") pursuant to an escrow agreement (the "Escrow Agreement") dated October 30, 1980 and entered into between the Partnership and the Custodian. If subscriptions in the aggregate amount of \$177,500,000 are not received by December 1, 1980 (or such later date to which such date may be extended by written notice delivered to the Custodian and mailed to persons who have then subscribed for Class A Units, but not later than December 21, 1980), all subscriptions will be returned promptly to the subscribers with interest as paid by the Custodian. When subscriptions in the aggregate amount of \$177,500,000 have been received and are accepted by the General Partner, the subscription monies then paid with interest as paid by the Custodian will be released by the Custodian to the Partnership and the Class A Units will be issued to the Limited Partners. It is expected that certificates evidencing Class A Units will be forwarded to subscribers on or about December 23, 1980.

## **PROJECT FUND**

### **General**

Net proceeds from the sale of Class A Units, after the conditions referred to under "Plan of Distribution" are satisfied, will be deposited with National Trust Company, Limited as Custodian for the Partnership in a Project Fund. Cash in the Project Fund shall, at the direction of the Partnership, be deposited by the Custodian with a Canadian chartered bank against deposit certificates (without rights of setoff by any such bank in respect of Initial Interim Financing) or with its own deposit department, or be invested in investments permitted by the terms of Subsection 63(1) of the Canadian and British Insurance Companies Act as investments for companies registered under Part III of such Act. Income on such deposits and net gains on such investments will be paid to the Partnership from time to time.

The Partnership may direct the Custodian to deposit the Project Fund with the Canadian chartered banks providing interim financing for the development, construction, initial leasing and interim financing of the Shopping Centres if, by the making of such deposit, the rate of interest to be paid by the Partnership on an amount of Initial Interim Financing equal to the amount of such deposits is fixed. If such deposit is made, the Partnership will be able to reduce the risk of cost overruns resulting from increases in the interest rates payable upon such an amount of Initial Interim Financing and, at the same time, reduce the risk to Daon of having to pay for cost overruns.

### **Withdrawal from Project Fund**

When the Shopping Centres are open to the public and Major Tenants are paying or liable to pay rent, cash deposited in the Project Fund may be withdrawn by the Partnership in an amount not exceeding Development Costs and this amount will be used to repay an equal amount of Initial Interim Financing and amounts advanced by Daon to pay for Development Costs and Issue Expenses not exceeding \$177,625,000. The balance, if any, will be paid to the Partnership as Refinancing Proceeds for distribution to the Partnership. In any event, all cash deposited in the Project Fund may be withdrawn by the Partnership after October 31, 1983.

## **SUBSCRIPTION FOR UNITS**

### **How to Subscribe**

A person who desires to purchase Class A Units must complete the Signature Page and Power of Attorney for the Partnership Agreement in the form set out as Schedule "A" to the Partnership Agreement and as the last page to this Offering Memorandum. The completed form must be deposited with National Trust Company, Limited, Corporate Trust Department, 510 Burrard Street, Vancouver, British Columbia on or before December 1, 1980 (unless the General Partner extends such date to a date not later than December 21, 1980) together with (i) a clean, irrevocable letter of credit (the "letter of credit"), in the form set out in the Subscription Agreement attached as Schedule "A" to the Partnership Agreement or such other form as is acceptable to the General Partner, issued by a Canadian chartered bank in respect of the Subscription Price for the Class A Units subscribed for, (ii) cash or a certified cheque in the amount of \$31,250 for each Class A Unit subscribed for (minimum amount: \$125,000) and a letter of credit in the amount of the balance or (iii) cash or a certified cheque in the amount of \$125,000 for each Class A Unit subscribed for (minimum amount: \$500,000). If a letter of credit is delivered, payments under such letter of credit will be called upon as follows:



| <u>Call Dates under<br/>Letter of Credit</u> | <u>Percentage</u> | <u>Amount per<br/>Class A Unit</u> | <u>Amount<br/>per Minimum<br/>Subscription<br/>(4 Class A<br/>Units)</u> |
|--|-------------------|------------------------------------|--|
| *December 22 to 28, 1980                     | 25%               | \$31,250                           | \$125,000  |
| April 30 to May 6, 1981                      | 25%               | \$31,250                           | \$125,000  |
| October 30 to November 6, 1981               | 25%               | \$31,250                           | \$125,000  |
| April 30 to May 6, 1982                      | 25%               | \$31,250                           | \$125,000  |

\* unless this amount is paid at the time of subscription.

The General Partner has the unconditional right to accept or reject any subscription. If the General Partner rejects any subscription, such subscription together with letter of credit and/or any monies delivered with such subscription will be returned to the subscriber.

Daon has made arrangements with a number of Canadian chartered banks to provide loans and issue letters of credit to investors approved by such banks for the purchase of Class A Units. Loans will bear interest at rates that will fluctuate with variations in the prime lending rates of such banks from time to time and will be repayable in full at terms that may be negotiated by the investor with such banks. An investor will be required to pledge the Class A Units acquired by such investor as security for such loan. Details of the terms of such loans and the procedure for making application are available from any Agent.

### Eligibility

Class A Units may only be subscribed for by a person who makes a minimum subscription for four Class A Units (\$500,000) and who represents that such person is purchasing Class A Units as principal for the purposes of investment and not with a view to resale or for sale in connection with any distribution thereof and that such person will comply with applicable securities legislation with respect to the purchase or resale of Class A Units.

If a person who subscribes for Class A Units is a resident of, or the purchase or sale of the Class A Units subscribed for by such person is made or accepted in, or the Units Certificates representing the Class A Units so subscribed for are to be delivered to any person in any of the Provinces of British Columbia, Alberta, Saskatchewan or Manitoba, then such person will also be required to represent that:

- (a) the subscriber, if an individual:
  - (i) is in a good position to evaluate the prospective investment in Class A Units on the basis of this Offering Memorandum and other information that has been presented to him:
    - (A) by virtue of his investment experience; or
    - (B) by virtue of his consultation with or advice from a dealer authorized to sell Class A Units, or from legal, accounting or tax advisors (as indicated on the form of signature page and power of attorney signed by such subscriber), with respect to the prospective investment; and
  - (ii) had at December 31, 1979:
    - (A) a net worth of (i) if in the Provinces of British Columbia, Saskatchewan or Manitoba, at least \$200,000; or (ii) if in the Province of Alberta, at least \$250,000, exclusive of home, car and furnishings; or
    - (B) a net worth of at least \$50,000 (in the case of the Province of Alberta, exclusive of home, car and furnishings) and income for the 1979 taxation year some part of which would have been taxed in the 50% tax bracket but for the undersigned's use of tax shelter investments;
- (b) the subscriber, if a corporation, is a corporation:
  - (i) whose officers and directors are in a position to evaluate the prospective investment in Class A Units on the basis of this Offering Memorandum and other information that has been presented to them:
    - (A) by virtue of their investment experience; or

- (B) by virtue of their consultation with or advice from a dealer authorized to sell Class A Units, or from other legal, accounting or tax advisors (as indicated on the form of signature page and power of attorney signed by such subscriber) with respect to the prospective investment; and
- (ii) which has:
  - (A) had, for two consecutive years, pretax income in excess of \$50,000; or
  - (B) shareholders' equity (paid up capital plus retained earnings) in excess of \$50,000;
- (c) the subscriber, if a syndicate or partnership, is a syndicate or partnership each of the members of which meet the eligibility requirements set forth in sub-paragraphs (a) and (b) above;
- (d) no Class A Unit will be sold, assigned, charged or mortgaged unless the whole of such Class A Unit is so dealt with;

and to make such further representations, if any, as may be required by the orders referred to under "Sale of Class A Units."

### **Sale of Class A Units**

The Class A Units are being offered for sale pursuant to an order obtained by the Partnership pursuant to section 55 of the Securities Act (British Columbia) and may be offered for sale in the Provinces of Alberta, Saskatchewan and Manitoba when orders are obtained pursuant to section 59 of The Securities Act (Alberta); section 21 of The Securities Act (Saskatchewan) and section 59 of The Securities Act (Manitoba) respectively. Applications have been made for such orders in those provinces and the Partnership expects to receive such orders upon the filing of a copy of this Offering Memorandum and certain other material. Pursuant to such orders, the Class A Units may only be subscribed for by persons who meet the eligibility standards set forth under "Eligibility" and, in any Province, from an Agent permitted by law to offer Class A Units for sale in respect of such Province. Class A Units are being offered for sale in Ontario pursuant to section paragraph 5 of section 34(1) and section 71(1)(d) of the Securities Act, 1978 (Ontario). If the sale of a Class A Unit takes place in Ontario, then the purchaser will be required to complete a written undertaking in the form of Schedule 1 (which will be endorsed on the Unit Certificates representing the Class A Units subscribed for by such person), or a written statement in the form of Schedule 2, to form 19 to such Act in order to enable the General Partner to report such sale to the Ontario Securities Commission, and will further be required to report any resale of such Class A Units to the Ontario Securities Commission on the forms prescribed for such purpose.

### **SALES MATERIAL**

In addition to and apart from this Offering Memorandum, the Partnership will utilize certain sales material in connection with the offering of the Class A Units. This material will include a brochure and the Annual Report of Daon Development Corporation for its fiscal year ended October 31, 1979.

The material contained in such brochure does not purport to be complete and should not be considered as part of this Offering Memorandum nor as forming the basis of the offering of the Class A Units which are offered hereby.

### **EXPERTS**

The consolidated financial statements of the General Partner for the fiscal year ended October 31, 1979, and the pro forma balance sheet of the Partnership included in this Offering Memorandum have been examined by Arthur Andersen & Co., Chartered Accountants, as stated in the reports appearing herein, and have been so included in reliance upon such reports given upon authority of this firm as experts in accounting and auditing. Arthur Andersen & Co. have not made any examinations of the consolidated financial statements of the General Partner for the nine months ended July 31, 1980 and express no opinion thereon.

The statements under "Shopping Centre Development", "The Economy of the Province of Alberta" and "Retail Sales Potential" and, with respect to each of the Shopping Centres, under "Edmonton", "Red Deer", "Calgary", "Trade Area" including the trade area maps (inside front cover), "Location and Site", "Retail Competition" and "Projected Growth in Retail Sales" are based, in part, upon studies provided to Daon by Larry Smith & Associates Ltd., and, in part, by Urbanics Consultants Ltd., and have been included herein in reliance upon the authority of these firms as experts thereon.

The statements under the heading “Tax Consequences of an Investment in Class A Units” have been reviewed by Thorsteinsson, Mitchell, Little, O’Keefe & Davidson, Vancouver, British Columbia, and have been included herein, to the extent which statements constitute matters of law, in reliance upon the authority of this firm as experts thereon. Coopers & Lybrand, Chartered Accountants, have also reviewed such statements.

The statements under the heading “Summary of Partnership Agreement” have been reviewed by Shrum, Liddle & Heberton, Vancouver, British Columbia and have been included herein to the extent which statements constitute matters of law, in reliance upon the authority of this firm as experts thereon. Shrum, Liddle & Heberton have relied upon Field & Field, Edmonton, Alberta, with respect to matters governed by the laws of the Province of Alberta.

#### **CERTAIN LEGAL MATTERS**

Certain legal matters in connection with the offering of the Class A Units will be passed upon by Shrum, Liddle & Heberton, Vancouver, British Columbia (who may rely upon the opinion of Field & Field, Edmonton, Alberta with respect to matters governed by the laws of the Province of Alberta), as counsel to the General Partner. In addition, the General Partner has engaged Freeman & Company, Vancouver, British Columbia, to provide an independent review of certain legal matters pertaining to the offering and they have assisted in settling the terms of and have reviewed the Partnership Agreement.

#### **REGISTRAR AND TRANSFER AGENT**

National Trust Company, Limited will be the registrar and transfer agent for the Partnership. The register of Partners will be kept by National Trust Company, Limited at its principal offices located in Vancouver, Calgary, Winnipeg and Toronto.

#### **AUDITORS**

The auditors of the Partnership are Arthur Andersen & Co., Chartered Accountants. Arthur Andersen & Co. are also auditors of Daon.



## THE GENERAL PARTNER

### The Company

Daon Development Corporation (“Daon” or the “Company”, which terms include, in this section, unless the context otherwise indicates, its wholly-owned subsidiaries and its interests in joint ventures and partnerships) was incorporated under the laws of British Columbia on November 19, 1964 by memorandum and certificate of incorporation.

The head and principal operating office of the Company is located at 6th Floor, 999 West Hastings Street, Vancouver, British Columbia V6C 2W7.

### Business

The business of the Company consists of investing in and developing real estate in Canada and the United States. The Company concentrates on three complementary development activities, namely: the investment in and development of income properties, including shopping centres, office buildings and industrial buildings; the development and sale of land; and the development and sale of residential housing, primarily as condominiums or co-operatives.

The following table illustrates the geographic distribution of the Company’s real estate holdings at July 31, 1980:

|                     | <u>Income<br/>properties</u> | <u>Properties<br/>under<br/>development</u> | <u>Properties held<br/>for future<br/>development</u> | <u>Total<br/>properties</u> |
|---------------------|------------------------------|---|---|-----------------------------|
|                     | (in thousands of dollars)    |   |   |                             |
| Canada:             |                              |   |   |                             |
| Alberta             | \$ 42,105                    | \$ 74,077                                   | \$157,213   | \$ 273,395                  |
| British Columbia    | 59,646                       | 45,645                                      | 16,793  | 122,084                     |
| Other               | <u>33,461</u>                | <u>6,140</u>                                | <u>276</u>  | <u>39,877</u>               |
| Total Canada        | <u>135,212</u>               | <u>125,862</u>                              | <u>174,282</u>  | <u>435,356</u>              |
| United States:      |                              |   |   |                             |
| California          | 111,165                      | 315,413                                     | 104,414   | 530,992                     |
| Florida             | 61,812                       | 71,584                                      | —   | 133,396                     |
| Washington          | 14,088                       | 22,935                                      | 23,065  | 60,088                      |
| Other               | <u>16,214</u>                | <u>84,493</u>                               | <u>16,009</u>   | <u>116,716</u>              |
| Total United States | <u>203,279</u>               | <u>494,425</u>                              | <u>143,488</u>  | <u>841,192</u>              |
| Total               | <u><u>\$338,491</u></u>      | <u><u>\$620,287</u></u>                     | <u><u>\$317,770</u></u>                               | <u><u>\$1,276,548</u></u>   |

NOTE: All amounts are expressed in Canadian dollars. See item K under “Summary of Significant Accounting Policies” in the Company’s Consolidated Financial Statements.

The Canadian business is conducted by Daon Development Corporation and the United States business is conducted by Daon Corporation, a corporation incorporated under the laws of the State of Delaware, which is a wholly-owned subsidiary of Daon Development Corporation. Daon Development Corporation maintains offices in Vancouver, British Columbia and Calgary and Edmonton, Alberta. Daon Corporation maintains offices in Newport Beach and San Francisco, California; Miami, Florida; and Seattle, Washington. While the principal thrust of business activity is in the areas where the Company has offices, the Company holds properties elsewhere, including Toronto and North Bay, Ontario; Dallas, Texas; Denver, Colorado; Chicago, Illinois; Palm Beach, Florida; Portland, Oregon; and the Washington, D.C. area. Daon Corporation had established an office in Dallas, Texas in the fall of 1978, but decided to close that office in early 1980 in accordance with a decision of the Company to discontinue operations there.

## Selected Financial Information

### Assets<sup>(1)</sup>

|  | July 31,<br>1980 | October 31, |                           |           |           |               |
|--|------------------|-------------|---------------------------|-----------|-----------|---------------|
|  |                  | 1979        | 1978                      | 1977      | 1976      | 1975          |
|  | (Unaudited)      |             | (in thousands of dollars) |           |           |               |
| Total assets   | \$1,606,240      | \$1,222,364 | \$653,622                 | \$464,306 | \$278,161 | \$216,677     |
| Total liabilities  | \$1,467,870      | \$1,101,361 | \$582,687                 | \$429,985 | \$252,572 | \$197,358     |
| Shareholders' equity <sup>(2)</sup>  | \$ 138,370       | \$ 121,003  | \$ 70,935                 | \$ 34,321 | \$ 25,589 | \$ 19,319     |
| Shareholders' equity (inclusive of net market value of assets) <sup>(2)(3)</sup> | Not available    | \$312,658   | \$183,196                 | \$ 96,664 | \$ 77,647 | Not available |
| Income producing properties:   |                  |             |                           |           |           |               |
| Office   | \$ 73,994        | \$ 74,285   | \$ 75,278                 | \$ 58,913 | \$ 35,004 | \$ 29,999     |
| Shopping Centre  | 59,048           | 59,518      | 6,785                     | 4,924     | 3,962     | 3,972         |
| Industrial   | 15,040           | 11,262      | 5,712                     | 15,435    | 5,695     | 4,387         |
| Residential  | 190,409          | 198,191     | 133,010                   | 106,156   | 42,861    | 27,271        |
| Total income producing properties  | \$ 338,491       | \$ 343,256  | \$ 220,785                | \$185,428 | \$ 87,522 | \$ 65,629     |
| Properties under development:  |                  |             |                           |           |           |               |
| Income producing properties:   |                  |             |                           |           |           |               |
| Office   | \$ 103,361       | \$ 71,587   | \$ 42,696                 | \$ 33,477 | \$ 12,585 | \$ 6,870      |
| Shopping centre  | 37,415           | 19,409      | 39,028                    | 7,084     | 3,596     | 1,130         |
| Industrial   | 11,683           | 8,515       | 5,229                     | 2,080     | 3,647     | 2,686         |
| Mobile home parks  | 4,105            | 2,246       | —                         | —         | —         | —             |
| Total income producing properties  | 156,564          | 101,757     | 86,953                    | 42,641    | 19,828    | 10,686        |
| Homes for sale   | 322,225          | 108,160     | 56,578                    | 39,250    | 54,382    | 64,720        |
| Land under development for sale  | 141,498          | 88,350      | 58,309                    | 56,844    | 25,629    | 12,117        |
| Total properties under development   | \$ 620,287       | \$ 298,267  | \$ 201,840                | \$138,735 | \$ 99,839 | \$ 87,523     |
| Properties held for future development   | \$ 317,770       | \$ 203,147  | \$ 60,874                 | \$ 60,863 | \$ 51,406 | \$ 34,526     |

### Operating Highlights<sup>(1)</sup>

|                           | Nine months<br>ended July 31, |             | Years ended October 31, |                           |           |           |           |
|---------------------------|-------------------------------|-------------|-------------------------|---------------------------|-----------|-----------|-----------|
|                           | 1980                          | 1979        | 1979                    | 1978                      | 1977      | 1976      | 1975      |
|                           | (Unaudited)                   | (Unaudited) |                         | (in thousands of dollars) |           |           |           |
| Total revenue             | \$365,975                     | \$296,652   | \$531,236               | \$347,576                 | \$155,307 | \$123,176 | \$102,939 |
| Real estate sales         | 295,085                       | 259,310     | 477,955                 | 308,172                   | 131,453   | 105,483   | 91,648    |
| Rental revenue            | 34,146                        | 25,138      | 35,662                  | 31,888                    | 20,873    | 13,958    | 10,073    |
| Net income <sup>(2)</sup> | 26,013                        | 25,762      | 42,203                  | 15,482                    | 10,340    | 7,772     | 6,694     |
| Cash flow from operations | 42,398                        | 44,092      | 79,386                  | 33,523                    | 23,546    | 15,259    | 13,755    |

#### NOTES:

- (1) All amounts are expressed in Canadian dollars. See item K under "Summary of Significant Accounting Policies" in the Company's Consolidated Financial Statement.
- (2) Amounts for the years ended October 31, 1979, 1978, 1977 and 1976 have been restated in accordance with the change in the Company's accounting policy referred to herein under Note 24 to the Consolidated Financial Statement.
- (3) "Shareholders' equity (inclusive of net market value of assets)" is the aggregate of Shareholders' equity, appraisal surplus and the excess of the quoted market value over the cost of the marketable securities and investments held by the Company on each such date after deducting estimated income taxes that would be payable on an amount of income equal to the total of appraisal surplus and such excess. Appraisal surplus is the total of the appraised values of the real estate owned by the Company and has been determined in the manner referred to under "Appraisal Surplus". The amount for the year ended October 31, 1976 was determined at January 31, 1977. No amount for appraisal surplus was determined for the year ended October 31, 1975.

### *Appraisal Surplus*

Each of the real estate properties owned by the Company on October 31, 1979, 1978, 1977 and January 31, 1977, respectively, were appraised at their market values as at such date by a qualified independent real estate appraiser. These appraisals were made by a number of independent qualified real estate appraisers under the co-ordination of A. George Oikawa, F.R.I., A.A.C.I., R.I.(B.C.).

The appraisals each defined market value as the highest price in terms of money which the property would bring if exposed for sale in the open market in the course of an orderly sale, allowing a reasonable time to find a purchaser with knowledge of the uses to which the property is adapted and for which it is capable of being used, taking into account the effect upon such value of any encumbrances against such property (without deduction of the principal amount thereof).

Based on these appraisals, the "appraisal surplus" (the excess of the appraised value of each of the real estate properties owned by the Company on such dates over the net book value of such real estate properties on such dates before obligations or liabilities with respect to such real estate properties or taxes that would be payable on the sale of such real estate properties at their appraised values) of the real estate properties owned by the Company on such dates was as follows:

|                   | <u>October 31, 1979</u> | <u>October 31, 1978</u> | <u>October 31, 1977</u> | <u>January 31, 1977</u> |
|-------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Appraisal Surplus | \$371,649,000           | \$219,198,000           | \$126,495,000           | \$104,115,000           |

The preceding values are the sum totals of the individual properties. No assumptions have been made with respect to a sale of all or groups of properties in a single or a series of transactions.

### *Property Management*

The Company maintains a division, Daon Management, to manage and supervise the management of its income properties in both Canada and the United States. While most of the properties in the United States are managed by independent professional property management companies, supervision of these independent managers remains the responsibility of Daon Management.

In Canada, Daon Management Ltd., a wholly-owned subsidiary of Daon Development Corporation manages income properties owned by others. Most of these properties have been developed and sold by the Company with the Company, in some cases, retaining a partial ownership interest. Daon Management Ltd. utilizes Daon Management personnel in the performance of its management activities. Daon Management Ltd. and Daon Management together, in Canada, manage or supervise the management of eight shopping centres with a gross rentable area in excess of 1,900,000 square feet, ten office buildings with a gross rentable area in excess of 1,800,000 square feet, seventeen industrial buildings with a gross rentable area in excess of 880,000 square feet and a number of residential buildings containing in excess of 3,000 residential units.

The Partnership will contract with Daon Management Ltd. to manage the Shopping Centres.

The Company and Daon Management Ltd. employ individuals experienced in all facets of real estate management including four certified shopping centre managers. Such personnel are responsible for being informed of development and market conditions and trends, real property assessment and taxation appeal opportunities, regulations or legislation affecting the ownership and operation of real property and other related matters, as well as building operating efficiency and cost control matters. In addition, an income property accounting division has been established to monitor and report on operations of each individual property.

### *Shopping Centre Development*

The Company develops and acquires shopping centres for its income property portfolio and for sale to others. Shopping Centre activities are conducted through the shopping centre division of the Company.



The division has a staff of 40, including construction, development, leasing, property management and other specialists as well as research and accounting personnel. In many instances senior management of the division gained several years of shopping centre development experience prior to joining the Company.

Shopping centre development and investment opportunities are identified through internal research, municipal competitions and outside parties including other developers and real estate agents. The Company generates shopping centre sites in the normal course of developing large land assemblies or through the purchase of specific sites suitable for development of shopping centres.

Wherever possible the Company obtains control of the property through options or other arrangements while study of feasibility, including market studies and cost estimates, is undertaken. Outside architects are selected after considering such factors as ability to perform and the aesthetics, quality and flexibility of their design proposals. Negotiations with major department stores and other retailers which will occupy a significant portion of the rentable shopping centre space are begun early in the development process.

The independent general contractor is selected by invitational tender. Final selection is made, among other factors, on price, quality, timeliness of work and financial strength. The general contractor is responsible for a full tender of sub-trade work. Performance of the architects and the general contractor is closely supervised by the construction and development staff of the shopping centre division.

The Company utilizes in-house leasing personnel wherever possible. The property management group manages the shopping centres with a view to maximizing revenues, controlling operating expenses and maintaining the quality of the property. The shopping centre division is supported by a controller's group which continuously monitors and controls the budgeting and financial performance of each shopping centre during the development, construction and operating phases.

The Company's first major shopping centre, the 132,000 square foot Langley Mall Shopping Centre in Langley, British Columbia, was completed in 1974. Since this development, the Company has acquired, developed or is developing, wholly or jointly, 20 shopping centres containing approximately 4,400,000 square feet (3,600,000 square feet net of partners' interests or "net square feet") of rentable shopping space. At July 31, 1980, the Company held, either wholly or jointly, seven completed shopping centres containing 1,521,000 square feet (1,011,000 net square feet) of rentable space and had four shopping centres under development containing 2,145,000 square feet (2,003,000 net square feet) of rentable shopping centre space.

#### MAJOR SHOPPING CENTRES AS AT JULY 31, 1980

| <u>Name</u>                               | <u>Location</u>    | <u>Year of<br/>Completion<br/>of<br/>Development</u> | <u>Rentable<br/>Area<br/>(Sq. ft.)</u> |
|---|--------------------|--|--|
| <b>Alberta</b>                            |                    |  |  |
| Bower Place Shopping Centre               | Red Deer           | 1981   | 435,000                                |
| Heritage Mall                             | Edmonton           | 1981   | 779,000                                |
| Sunridge Mall                             | Calgary            | 1981   | 645,500                                |
| Wetaskiwin Mall                           | Wetaskiwin         | 1979   | 146,000                                |
| <b>British Columbia</b>                   |                    |  |  |
| Coquitlam Centre <sup>(1)</sup>           | Coquitlam          | 1979   | 736,000                                |
| Langley Mall <sup>(2)</sup>               | Langley            | 1975   | 132,000                                |
| Valley Fair <sup>(1)</sup> <sup>(3)</sup> | Haney              | 1979   | 108,000                                |
| Waneta Plaza                              | Trail              | 1979   | 193,000                                |
| <b>Manitoba</b>                           |                    |  |  |
| Portage Mall                              | Portage La Prairie | 1979   | 190,000                                |
| <b>Ontario</b>                            |                    |  |  |
| Northgate Square <sup>(1)</sup>           | North Bay          |  |  |
| Phase I <sup>(4)</sup>                    |                    | 1980   | 285,000                                |
| Phase II <sup>(5)</sup>                   |                    | 1982   | 340,000                                |

NOTES:

- (1) The Company holds a 50% interest in this property.
- (2) The Company holds a 33⅓% interest in this property.
- (3) This property was sold subsequent to July 31, 1980.
- (4) This property includes renovations and improvements to an existing shopping centre of 116,000 square feet and an expansion of 169,000 square feet which opened subsequent to July 31, 1980.
- (5) The Company and its joint venture partner hold an option to purchase property adjoining Phase I to be used for Phase II development, which is conditional upon receiving the requisite regulatory approvals which, at October 31, 1980, had not been received.

*Office Building Development*

The Company acquires and develops office buildings for its income property portfolio and for sale to others. The first office building developed by the Company, at 1090 West Pender Street, Vancouver, British Columbia contains 81,000 square feet of rentable office space. This building was completed and sold in 1971. In the five years ended October 31, 1979, the Company acquired or developed, wholly or jointly, 26 completed office buildings containing 2,739,000 square feet (2,566,000 net square feet) of rentable office space.

During the year ended October 31, 1979, Daon completed the development of and sold three office buildings (all in California) containing 367,000 square feet (320,000 net square feet) of rentable office space. At July 31, 1980, the Company held, either wholly or jointly, 17 completed office buildings containing 1,839,000 square feet (1,345,000 net square feet) of rentable office space and had under development, either wholly or jointly, seven office buildings containing 1,866,000 square feet (1,328,000 net square feet) of rentable office space.

**MAJOR OFFICE BUILDINGS AS AT JULY 31, 1980**

| <u>Name</u>                         | <u>Location</u>     | <u>Year(s) of<br/>Completion<br/>of<br/>Development</u> | <u>Rentable<br/>Area<br/>(Sq. ft.)</u> |
|-------------------------------------|---------------------|---|--|
| <b>Alberta</b>                      |                     |   |  |
| Chevron Plaza <sup>(1)</sup>        | Calgary             | 1981  | 267,000                                |
| Daon Building                       | Calgary             | 1975  | 167,000                                |
| Seventh Street Plaza <sup>(2)</sup> | Edmonton            | 1978  | 329,000                                |
| <b>British Columbia</b>             |                     |   |  |
| Daon Centre <sup>(3)</sup>          | Vancouver           | 1980  | 207,000                                |
| 1050 West Pender <sup>(4)</sup>     | Vancouver           | 1975  | 247,000                                |
| <b>California</b>                   |                     |   |  |
| 444 Market Street <sup>(5)</sup>    | San Francisco       | 1980  | 589,000                                |
| Heritage Park <sup>(6)</sup>        | Alameda County      | 1980  | 100,000                                |
| Pacific I <sup>(5)</sup>            | San Francisco       | 1978  | 175,000                                |
| Pacific II <sup>(5)</sup>           | San Francisco       | 1981  | 213,000                                |
| Capital Place                       | Sacramento          | 1982  | 228,000                                |
| Walnut Creek Plaza <sup>(7)</sup>   | Contra Costa County | 1978-79   | 155,000                                |
| <b>Colorado</b>                     |                     |   |  |
| Ptarmigan Place <sup>(5)</sup>      | Denver              | 1982  | 407,000                                |
| <b>Ontario</b>                      |                     |   |  |
| Toronto Professional Buildings      | Toronto             | 1977  | 401,000                                |
| <b>Washington</b>                   |                     |   |  |
| Daon Building                       | Seattle             | 1981  | 262,000                                |

NOTES:

- (1) On October 22, 1980, the Company entered into an agreement to sell a 50% interest in this property to the major tenant upon completion of construction of the office building.
- (2) At July 31, 1980, the Company held a 40% interest in this property and subsequent to July 31, 1980 the Company sold a further 20% interest in this property to the owner of the remaining interest.
- (3) The property is owned by Daon Centre Limited Partnership of which the Company is general partner and holds a 50% interest.
- (4) The Company entered into an agreement subsequent to July 31, 1980 to sell a 70% interest in this office building to an outside party.
- (5) The Company holds a 50% interest in this property.
- (6) The Company holds a 66% interest in this property. The other party has the right to increase its interest to 50% or to receive the return of its investment and relinquish its interest.
- (7) This property was sold subsequent to July 31, 1980.

At July 31, 1980, the Company also held an interest in or had an option to purchase sites for office building development which, if all developments were undertaken and completed, would result in the development of approximately 2,500,000 square feet of further rentable office space.

*Industrial Development*

The Company's industrial development activities consist of the assembly and subdivision of land into sites for construction of industrial buildings, sometimes in industrial parks. These sites are sold to industrial users or utilized by the Company for construction of industrial buildings for retention or sale. As projects are brought to market additional industrial land is assembled and industrial space developed. The Company concentrates its development of industrial land and buildings in Alberta and Southern California.

At July 31, 1980 the Company held 685,000 square feet (612,000 net square feet) of completed rentable industrial space, 760,000 square feet (623,000 net square feet) of rentable industrial space under development, 330 acres (262 net acres) of industrial land under development and 1441 acres (1376 net acres) of land for future industrial development. During the year ended October 31, 1979, the Company completed the development of 409,000 square feet (355,000 net square feet) of rentable industrial space and sold 197,000 square feet (143,000 net square feet) of rentable industrial space and 153 acres (115 net acres) of industrial land.

**MAJOR INDUSTRIAL PROPERTIES AS AT JULY 31, 1980**

| <u>Name</u>                                 | <u>Location</u>       | <u>Year(s) of Completion of Development</u> | <u>Rentable Area (Sq.ft.)</u> |
|---|-----------------------|---|-------------------------------|
| <b>Alberta</b>                              |                       |   |                               |
| Norwester Industrial Phase I <sup>(1)</sup> | Edmonton              | 1977-80                                     | 524,000                       |
| Norwester Industrial Phase II               | Edmonton              | 1980-81                                     | 381,000                       |
| <b>California</b>                           |                       |   |                               |
| Central D&C <sup>(2)</sup>                  | San Bernardino County | 1980  | 107,000                       |
| Irvine Industrial <sup>(2)</sup>            | Orange County         | 1980  | 168,000                       |
| Miramar Business Park <sup>(3)</sup>        | San Diego             | 1980  | 140,000                       |

**MAJOR INDUSTRIAL LAND HOLDINGS AS AT JULY 31, 1980**

| <u>Name</u>                                  | <u>Location</u> | <u>Years of Acquisition</u> | <u>Size</u> | <u>Scheduled Years of Development</u> |
|--|-----------------|-----------------------------|-------------|---------------------------------------|
| <b>Alberta</b>                               |                 |                             |             |                                       |
| Horizon (Sunridge) <sup>(3)</sup>            | Calgary         | 1973-80                     | 481 Acres   | 1980-86                               |
| Northwest Land Assembly <sup>(3)</sup>       | Edmonton        | 1976-78                     | 280 Acres   | 1980-90                               |
| Norwester Industrial Phase II <sup>(3)</sup> | Edmonton        | 1974-78                     | 98 Acres    | 1980-82                               |
| Sherwood Park                                | Edmonton        | 1980                        | 320 Acres   | 1981-88                               |
| <b>California</b>                            |                 |                             |             |                                       |
| Rancho Cucamonga <sup>(4)</sup>              | San Bernardino  | 1980                        | 289 Acres   | 1980-85                               |

#### NOTES:

- (1) The Company sold six buildings in this property, totalling 251,000 rentable square feet subsequent to July 31, 1980.
- (2) The Company holds a 50% interest in this property.
- (3) The Company sold its interest in this property subsequent to July 31, 1980.
- (4) Certain lands in these industrial land holdings have been sold subsequent to July 31, 1980.
- (5) The Company holds a 50% interest in 100 acres of this property and a 100% interest in the remaining 189 acres of this property.

#### *Residential Properties*

An important aspect of the Company's total operations is the acquisition of existing multi-family rental properties for rehabilitation, conversion and sale, primarily as condominiums, co-operatives or upgraded investment properties. The Company operates these residential properties as income properties during the approval process and until market conditions and the Company's operating and financial plans warrant their sale.

At July 31, 1980 the Company held, either wholly or jointly, 74 residential properties containing 10,887 units (9,575 units net of partners' interests or "net units"), of which 4,718 units (4,226 net units) were in its income property portfolio and 6,169 units (5,309 net units) were being marketed. In addition, the Company held under option, either wholly or jointly, nine residential properties containing 2,951 units (2,216 net units). During the nine months ended July 31, 1980, the Company sold 3,692 residential units (net of partners' interests).

#### *Land*

The Company assembles and develops land as residential building lots for sale to home builders and as sites for development of office, shopping centre, industrial and residential buildings for sale to others or development by the Company as income properties. The Company has three major land assemblies under development; The Homesteads, southeast of Calgary; Harbour Pointe, north of Seattle; and Shadow Ridge, in San Diego County. Development of these land assemblies will likely extend over the next decade. The Company expects to offer residential building lots for sale in each of these land assemblies in 1980.

At July 31, 1980 the Company held 2,163 acres (2,091 acres net of partners' interests or "net acres") of land under development, 13,245 acres (13,128 net acres) of land for future development and 11,312 acres (11,307 net acres) of land under option. During the nine months ended July 31, 1980, the Company sold 879 acres of land (net of partners' interests).

#### **Directors and Officers**

The names and municipalities of residence of the directors and officers of Daon Development Corporation, the offices held by them and their principal occupations are as follows:

| <u>Name and Municipality</u>                                | <u>Office</u>  | <u>Principal Occupation</u>   |
|---|--|---|
| GRAHAM RUSSELL DAWSON<br>Vancouver, British Columbia        | Chairman of the Board<br>and Director                                | President,<br>Dawson Construction Limited<br>(general construction)   |
| JOHN WILSON POOLE<br>West Vancouver, British Columbia       | President and Chief<br>Executive Officer<br>and Director             | President and Chief Executive<br>Officer, Daon Development Corporation<br>and Chairman and Chief<br>Executive Officer, Daon Corporation |
| WILLIAM HOWARD LEVINE<br>Vancouver, British Columbia        | Executive Vice President<br>and Director                             | Executive Vice President<br>Daon Development Corporation<br>and President, Daon Corporation   |
| RUSSELL ARTHUR LEO NUNN<br>Calgary, Alberta                 | Senior Vice President<br>and Director                                | Senior Vice President<br>Daon Development Corporation   |
| MacDONALD CAMPBELL<br>North Vancouver, British Columbia     | Senior Vice President and<br>Chief Financial Officer<br>and Director | Senior Vice President and Chief<br>Financial Officer,<br>Daon Development Corporation   |
| JAMES DIEHL STOUT<br>Corona del Mar, California             | Senior Vice President<br>and Director                                | Senior Executive Vice<br>President, Daon Corporation<br>and Senior Vice President,<br>Daon Development Corporation                      |
| WILLIAM JOHN CORCORAN<br>Kleinburg, Ontario                 | Director   | President,<br>W.J. Corcoran Company Ltd.<br>(investment consultant)   |
| RODERICK MacLAREN HUNGERFORD<br>Vancouver, British Columbia | Director   | President,<br>Flex-Lox Industries Ltd.<br>(manufacturer of plastic pipe)  |



|   |  |   |
|---|--|---|
| EDGAR FOSBURGH KAISER, JR.<br>Vancouver, British Columbia       | Director   | Chairman and Chief Executive Officer, Kaiser Resources Ltd. (natural resources)         |
| WILLIAM BRUCE LAURIE<br>Vancouver, British Columbia             | Director   | Executive Vice President and Secretary, Dawson Construction Ltd. (general construction) |
| GEORGE BEVERLY McKEEN<br>Vancouver, British Columbia            | Director   | President, McKeen & Wilson Ltd. (investment company)                                    |
| RICHARD CARLILE BENMORE<br>Vancouver, British Columbia          | Vice President, Financial Controls and Treasurer | Vice President, Financial Controls and Treasurer, Daon Development Corporation          |
| JAMES HOWAT FINDLAY<br>Vancouver, British Columbia              | Vice President, Administration and Secretary     | Vice President, Administration and Secretary, Daon Development Corporation              |
| RAYMOND JOHN LANGRISH<br>Richmond, British Columbia             | Vice President and Senior Controller             | Vice President, Senior Controller, Daon Development Corporation                         |
| GEORGE CONRAD REIFEL<br>Vancouver, British Columbia             | Vice President, Corporate Finance                | Vice President, Corporate Finance, Daon Development Corporation                         |
| JONATHAN HUGH BEAUMONT REES<br>West Vancouver, British Columbia | Controller                                       | Controller, Daon Development Corporation  |
| JUNE ELIZABETH VASSOS<br>Vancouver, British Columbia            | Assistant Secretary                              | Assistant Secretary, Daon Development Corporation                                       |

During the past five years all directors and officers of the Company have been associated in various capacities with the Company or the companies indicated opposite their names, except that: prior to August, 1978, Mr. Corcoran was a director and Vice President of McLeod Young Weir Limited; prior to February, 1977, Mr. Benmore was a chartered accountant with Arthur Andersen & Co.; prior to February, 1979, Mr. Findlay was Corporate Secretary and Director of Human Resources, Moore Corporation Limited; prior to May, 1976, Mr. Reifel was a university student; prior to March, 1976, Mr. Stout was Vice President of Eagle Development Corporation; prior to March, 1977, Mr. Rees was a chartered accountant with Arthur Andersen & Co.; and prior to May, 1976, Ms. Vassos was Assistant to the City Administrator, City of North Vancouver, British Columbia.

The names and municipalities of residence of the principal operating officers of the Shopping Centres division of Daon and of Daon Management, a division of Daon, are as follows:

| <u>Name and Municipality</u>                           | <u>Office</u>  |
|--|--|
| RODNEY A. SCHROEDER<br>Vancouver, British Columbia     | Senior Vice President<br>Shopping Centre Division        |
| ALVIN G. POETTCKER<br>Vancouver, British Columbia      | Vice President, Development<br>Shopping Centre Division  |
| DONALD R. MILLIKEN<br>Richmond, British Columbia       | Vice President, Development<br>Shopping Centre Division  |
| RONALD T. ZIMMER<br>North Vancouver, British Columbia  | Controller,<br>Shopping Centre Division                  |
| BRUCE L. RICHMOND<br>Vancouver, British Columbia       | General Manager, Leasing<br>Shopping Centre Division     |
| JEFFREY C. WREN<br>Vancouver, British Columbia         | General Manager, Development<br>Shopping Centre Division |
| LOCKHART G. McCALLUM<br>Richmond, British Columbia     | General Manager, Development<br>Shopping Centre Division |
| ROY F. PATZER<br>North Delta, British Columbia         | Construction Manager<br>Shopping Centre Division         |
| ROBERT H. BARRETT<br>North Vancouver, British Columbia | General Manager, Shopping Centres,<br>Daon Management    |
| DONALD H. WEBER<br>North Vancouver, British Columbia   | Senior Vice President,<br>Daon Management                |

During the past five years, all these officers of the Company have been associated in various capacities with the Company except that: prior to April, 1979, Mr. Poettcker was Executive Vice President of Laing Property Corporation; prior to May, 1978, Mr. Milliken was General Manager of Devco Properties Ltd.; prior to January, 1980, Mr. Zimmer was General Manager of Pro Forms Limited and prior to February, 1977 he was Division Controller with Trizec Equities Limited; prior to May, 1979, Mr. Barrett was Regional Property Manager of Irvine Company; prior to February, 1979, Mr. Richmond was Vice President of Urbanics Consultants Ltd.; prior to August, 1976, Mr. Wren was Program Manager with Canadian Red Cross; and prior to February, 1979, Mr. McCallum was Development Manager for The T. Eaton Company Limited.

#### **Directors and Officers of Daon Management Ltd. and Daon Properties Ltd.**

The following are the directors and officers of Daon Properties Ltd. and Daon Management; all of the directors and officers of Daon Management Ltd. and Daon Properties Ltd. are full time officers or employees of Daon Development Corporation.

| <b>Daon Management Ltd.</b> |                         | <b>Daon Properties Ltd.</b> |  |
|-----------------------------|-------------------------|-----------------------------|--|
| <b>Name</b>                 | <b>Office</b>           | <b>Name</b>                 | <b>Office</b>  |
| John Wilson Poole           | Director                | John Wilson Poole           | Director and President                               |
| James H. Findlay            | Director                | James Howat Findlay         | Director and Secretary                               |
| William H. Levine           | President               | William H. Levine           | Executive Vice President                             |
| Donald H. Weber             | Senior Vice President   | Mac D. Campbell             | Senior Vice President and<br>Chief Financial Officer |
| Larry Sunderland            | Regional Vice President | Rodney A. Schroeder         | Senior Vice President,<br>Shopping Centres           |
| June E. Vassos              | Secretary               | Richard C. Benmore          | Vice President and Treasurer                         |
| Richard C. Benmore          | Treasurer               | Raymond J. Langrish         | Vice President and Senior Controller                 |
|                             |                         | Donald R. Milliken          | Vice President, Shopping Centres                     |
|                             |                         | Alvin G. Poettcker          | Vice President, Shopping Centres                     |
|                             |                         | George C. Reifel            | Vice President, Corporate Finance                    |
|                             |                         | Donald H. Weber             | Vice President                                       |
|                             |                         | Jonathan H.B. Rees          | Controller   |
|                             |                         | Julian P. Davis             | Assistant Controller                                 |
|                             |                         | June E. Vassos              | Assistant Secretary                                  |

#### **Auditors**

The auditors of Daon Development Corporation are Arthur Andersen & Co., Chartered Accountants.

**DAON DEVELOPMENT CORPORATION**  
**CONSOLIDATED STATEMENT OF INCOME**  
**Nine months ended July 31, 1980**  
**(prepared without audit)**

|   | 1980                      | 1979*            |
|---|---------------------------|------------------|
|   | (in thousands of dollars) |                  |
| <b>REVENUE</b>                          |                           |                  |
| Real estate sales .....                 | \$295,085                 | \$259,310        |
| Rental .....                            | 34,146                    | 25,138           |
| Other .....                             | 36,744                    | 12,204           |
| Total revenue .....                     | <u>365,975</u>            | <u>296,652</u>   |
| <b>EXPENSES</b>                         |                           |                  |
| Cost of real estate sales .....         | 251,297                   | 200,768          |
| Rental operating costs .....            | 17,388                    | 13,099           |
| Interest .....                          | 40,711                    | 21,595           |
| General and administrative .....        | 12,154                    | 10,112           |
| Depreciation and amortization .....     | 2,683                     | 1,910            |
| Other .....                             | 2,089                     | 1,182            |
| Total expenses .....                    | <u>326,322</u>            | <u>248,666</u>   |
| <b>INCOME BEFORE INCOME TAXES</b> ..... | 39,653                    | 47,986           |
| Income taxes .....                      | <u>13,640</u>             | <u>22,224</u>    |
| <b>NET INCOME</b> .....                 | <u>\$ 26,013</u>          | <u>\$ 25,762</u> |
| <b>†EARNINGS PER COMMON SHARE</b> ..... | <u>\$ 0.64</u>            | <u>\$ 0.66</u>   |

† Restated to reflect two-for-one share split effective February 7, 1980.

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS**  
**Nine months ended July 31, 1980**  
**(prepared without audit)**

|   | 1980                      | 1979*           |
|---|---------------------------|-----------------|
|   | (in thousands of dollars) |                 |
| <b>Retained earnings, beginning of period—</b>                        |                           |                 |
| As previously reported .....  | \$ 83,034                 | \$45,140        |
| Adjustment for change in accounting policy for foreign exchange ..... | 3,081                     | 1,449           |
| As restated .....   | 79,953                    | 43,691          |
| <b>Net income</b> .....   | 26,013                    | 25,762          |
|   | <u>105,966</u>            | <u>69,453</u>   |
| <b>Dividends—Common Shares</b> .....                                  | 3,062                     | 1,626           |
| —75¢ Class A Shares .....   | 359                       | 359             |
| —Preference Shares .....  | 2,722                     | 1,664           |
|   | <u>6,143</u>              | <u>3,649</u>    |
| <b>RETAINED EARNINGS, END OF PERIOD</b> .....                         | <u>\$ 99,823</u>          | <u>\$65,804</u> |

\* Restated to reflect change in accounting policy for foreign exchange.

# DAON DEVELOPMENT CORPORATION

## CONSOLIDATED STATEMENT OF CASH FLOW FROM OPERATIONS

Nine months ended July 31, 1980

(prepared without audit)

|   | 1980                      | 1979*    |
|---|---------------------------|----------|
|   | (in thousands of dollars) |          |
| Net income .....                              | \$26,013                  | \$25,762 |
| Items not requiring a current outlay of cash— |                           |          |
| Deferred income taxes .....                   | 13,464                    | 16,292   |
| Depreciation and amortization .....           | 2,683                     | 1,910    |
| Other .....                                   | 238                       | 128      |
| CASH FLOW FROM OPERATIONS .....               | \$42,398                  | \$44,092 |
| CASH FLOW PER COMMON SHARE .....              | \$ 1.09                   | \$ 1.17† |

† Restated to reflect two-for-one share split effective February 7, 1980.

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Nine months ended July 31, 1980

(prepared without audit)

|  | 1980                      | 1979*      |
|--|---------------------------|------------|
|  | (in thousands of dollars) |            |
| OPERATIONAL ACTIVITIES   |                           |            |
| Cash flow from operations .....                                  | \$ 42,398                 | \$ 44,092  |
| Cash recovered through sales of properties—                      |                           |            |
| recovery of real estate costs .....                              | 251,297                   | 200,768    |
| less debt discharged on properties sold .....                    | 166,239                   | 122,548    |
|  | 85,058                    | 78,220     |
| Gross cash flow from operations .....                            | 127,456                   | 122,312    |
| Cash applied to properties—                                      |                           |            |
| income producing .....   | 145,259                   | 196,214    |
| under development .....  | 402,738                   | 238,795    |
| held for future development .....                                | 134,273                   | 156,455    |
|  | 682,270                   | 591,464    |
| less net proceeds from property debt .....                       | 477,450                   | 473,872    |
|  | 204,820                   | 117,592    |
| NET CASH (APPLIED TO) PROVIDED FROM OPERATIONAL ACTIVITIES ..... | ( 77,364)                 | 4,720      |
| OTHER ACTIVITIES   |                           |            |
| Net (decrease) increase in marketable securities .....           | (12,343)                  | 22,431     |
| Net (decrease) increase in investments .....                     | (11,838)                  | 6,598      |
| Net increase in other assets .....                               | 9,201                     | 5,326      |
| Dividends paid .....   | 6,143                     | 3,649      |
| NET CASH PROVIDED FROM (APPLIED TO) OTHER ACTIVITIES .....       | 8,837                     | (38,004)   |
| CORPORATE FINANCING ACTIVITIES                                   |                           |            |
| Net proceeds from share issues .....                             | 275                       | 1,081      |
| less—shares purchased by subsidiary .....                        | 2,469                     | 1,108      |
| — shares redeemed .....  | 309                       | 302        |
|  | (2,503)                   | (329)      |
| Net increase (decrease) in debentures payable .....              | 14,500                    | (910)      |
| Net decrease in other secured debt .....                         | (13,903)                  | (3,459)    |
| Net decrease (increase) in amounts receivable .....              | 6,787                     | (6,787)    |
| Net (decrease) increase in accounts payable and accruals .....   | (5,524)                   | 2,855      |
| Net increase in bank indebtedness .....                          | 47,463                    | 12,056     |
|  | 49,323                    | 3,755      |
| NET CASH PROVIDED FROM CORPORATE FINANCING .....                 | 46,820                    | 3,426      |
| DECREASE IN CASH AND TERM DEPOSITS .....                         | \$(21,707)                | \$(29,858) |

\* Restated to reflect change in accounting policy for foreign exchange.



**DAON DEVELOPMENT CORPORATION**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General**

The Company is a member of the Canadian Institute of Public Real Estate Companies. The Company's accounting policies and its standards of financial disclosure are substantially in accordance with the recommendations of that Institute.

**B. Consolidation**

The consolidated financial statements of the Company include:

- (i) the accounts of Daon Development Corporation and its subsidiaries.
- (ii) the accounts of those incorporated and unincorporated joint ventures and partnerships in which the Company holds at least a 50% interest, to the extent of the Company's interest in their respective assets, liabilities, revenues and expenses.

**C. Income recognition**

The Company recognizes income as follows:

- (i) Sales of land and income producing properties  
When the Company has fulfilled all material conditions and has received a down payment that is appropriate in the circumstances having regard to the financial resources of the purchaser.
- (ii) Sales of homes  
When the sale has been completed and the purchaser is entitled to occupancy.
- (iii) Rental  
Rental income from each income producing property is recognized in the consolidated statement of income when breakeven cash flow after debt service is achieved. Prior to achieving this level of cash flow the Company capitalizes rental losses as a part of the normal development cost of an income property, subject to not capitalizing costs beyond fair market value of the property and subject to a reasonable maximum lease-up period.

**D. Income producing properties**

Income producing properties are carried at cost less accumulated depreciation. Depreciation on buildings is provided on the sinking fund basis over a 50-year life for office buildings and shopping centres and a 40-year life for residential and industrial buildings. The sinking fund method provides for a depreciation charge of a fixed annual amount increasing at the rate of 5% per annum, which will result in the cost of the property being fully depreciated over their estimated useful lives.

**E. Properties under development**

Properties under development for retention as income producing properties are carried at cost. Each property under development for sale is carried at the lower of its cost and net realizable value.

**F. Properties held for future development**

Each property held for future development is carried at the lower of its cost and net realizable value.

**G. Marketable securities**

Marketable securities are carried at the lower of cost and quoted market value. Sales transactions are recorded on settlement dates.

**H. Investments**

Each investment is carried out at cost. Sales transactions are recorded on settlement dates.

**I. Capitalization of costs**

The Company capitalizes all direct costs relating to properties under development and properties held for future development. In addition, certain indirect costs including specific interest, property taxes and interest on the portion of total costs financed by general corporate borrowings are capitalized. Where overhead costs, including salaries, can be clearly identified with the development of a property, the Company allocates these costs to that property.

**J. Depreciation and amortization of other assets**

Equipment is depreciated using either the diminishing balance or straight-line method over the estimated useful lives of the assets concerned. Debenture financing costs are amortized over the term of the financing after giving effect to any sinking fund and purchase fund requirements.

**K. Foreign exchange**

Asset and liability accounts in foreign currencies are translated into Canadian dollars at the rates of exchange in effect at the balance sheet dates. Revenue and expenses are translated at weighted average rates prevailing during the year. Gains or losses from exchange translations, other than on the Company's investments in foreign operations, are included within the consolidated statement of income. The gains and losses from exchange translations on the Company's investment in foreign operations are deferred until repayment is imminent, at which time they are included within the consolidated statement of income.

**DAON DEVELOPMENT CORPORATION**  
**CONSOLIDATED STATEMENT OF INCOME**

|  |                   | Years ended October 31,   |           |           |           |           |
|--|-------------------|---------------------------|-----------|-----------|-----------|-----------|
|  | Note<br>Reference | 1979                      | 1978      | 1977      | 1976      | 1975      |
|  |                   | (in thousands of dollars) |           |           |           |           |
| REVENUE  |                   |                           |           |           |           |           |
| Real estate sales.....   |                   | \$477,955                 | \$308,172 | \$131,453 | \$105,483 | \$ 91,648 |
| Rental.....  |                   | 35,662                    | 31,888    | 20,873    | 13,958    | 10,073    |
| Other.....   | 17                | 17,619                    | 7,516     | 2,981     | 3,735     | 1,218     |
| Total revenue.....   |                   | 531,236                   | 347,576   | 155,307   | 123,176   | 102,939   |
| EXPENSES   |                   |                           |           |           |           |           |
| Cost of real estate sales.....   |                   | 386,913                   | 260,744   | 104,980   | 87,730    | 74,665    |
| Rental operating costs.....  |                   | 19,208                    | 16,986    | 10,380    | 6,437     | 4,155     |
| Interest.....  | 18                | 31,615                    | 22,921    | 12,367    | 7,770     | 6,851     |
| General and administrative.....  |                   | 12,509                    | 8,151     | 4,855     | 2,705     | 2,173     |
| Depreciation and amortization.....   |                   | 2,602                     | 2,094     | 1,058     | 617       | 488       |
| Other.....   |                   | 2,039                     | 4,110     | 545       | 2,526     | 501       |
| Total expenses.....  |                   | 454,886                   | 315,006   | 134,185   | 107,785   | 88,833    |
| INCOME BEFORE INCOME TAXES.....  |                   |                           |           |           |           |           |
| Income taxes.....  |                   | 76,350                    | 32,570    | 21,122    | 15,391    | 14,106    |
|  |                   | 34,147                    | 17,088    | 10,782    | 7,619     | 7,412     |
| NET INCOME.....  | 24                | \$ 42,203                 | \$ 15,482 | \$ 10,340 | \$ 7,772  | \$ 6,694  |
| EARNINGS PER COMMON SHARE.....   | 22                | \$ 2.19                   | \$ 0.83   | \$ 0.54   | \$ 0.39   | \$ 0.33   |
| EARNINGS PER COMMON SHARE,<br>Restated to reflect 2 for 1 subdivision of shares<br>effective February 7, 1980..... |                   |                           |           |           |           |           |
|  |                   | \$ 1.10                   | \$ 0.42   | \$ 0.27   | \$ 0.19   | \$ 0.16   |

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS**

|   |    | Years ended October 31,   |           |           |           |           |
|---|----|---------------------------|-----------|-----------|-----------|-----------|
|   |    | 1979                      | 1978      | 1977      | 1976      | 1975      |
|   |    | (in thousands of dollars) |           |           |           |           |
| Retained earnings, beginning of year..... | 24 | \$ 43,691                 | \$ 30,756 | \$ 21,485 | \$ 14,367 | \$ 8,156  |
| Net income .....                          |    | 42,203                    | 15,482    | 10,340    | 7,772     | 6,694     |
|   |    | 85,894                    | 46,238    | 31,825    | 22,139    | 14,850    |
| Dividends—Common Shares .....             |    | 2,529                     | 1,038     | 588       | —         | 483       |
| —Preference Shares .....                  |    | 2,167                     | —         | —         | —         | —         |
| —75¢ Class A Shares.....                  |    | 478                       | 478       | 481       | 506       | —         |
| Premium on redemption of shares .....     |    | —                         | —         | —         | 148       | —         |
| Share issue expenses.....                 |    | 767                       | 1,031     | —         | —         | —         |
|   |    | 5,941                     | 2,547     | 1,069     | 654       | 483       |
| RETAINED EARNINGS, END OF YEAR .....      |    | \$ 79,953                 | \$ 43,691 | \$ 30,756 | \$ 21,485 | \$ 14,367 |

**DAON DEVELOPMENT CORPORATION**  
**CONSOLIDATED BALANCE SHEET**

|                                    | Note<br>Reference | October 31,        |                   |
|------------------------------------|-------------------|--------------------|-------------------|
|                                    |                   | 1979               | 1978              |
| (in thousands of dollars)          |                   |                    |                   |
| ASSETS                             |                   |                    |                   |
| Properties:                        |                   |                    |                   |
| Income producing.....              | 1                 | \$ 343,256         | \$ 220,785        |
| Under development.....             | 2                 | 298,267            | 201,840           |
| Held for future development.....   | 3                 | 203,147            | 60,874            |
| Cash and term deposits.....        | 4                 | 145,734            | 39,939            |
| Marketable securities.....         | 5                 | 12,343             | —                 |
| Amounts receivable.....            | 6                 | 177,845            | 108,190           |
| Investments.....                   | 7                 | 28,711             | 13,946            |
| Other assets.....                  | 8                 | 13,061             | 8,048             |
|                                    |                   | <u>\$1,222,364</u> | <u>\$ 653,622</u> |
| LIABILITIES                        |                   |                    |                   |
| Debt on properties:                |                   |                    |                   |
| Income producing.....              | 9                 | \$ 275,983         | \$ 170,234        |
| Under development.....             |                   | 219,445            | 127,858           |
| Held for future development.....   |                   | 178,706            | 38,220            |
| Debentures payable.....            | 10                | 129,576            | 71,686            |
| Other secured liabilities.....     | 11                | 108,344            | 61,549            |
| Accounts payable and accruals..... | 12                | 105,037            | 63,220            |
| Deferred income taxes.....         | 13                | 84,270             | 49,920            |
|                                    |                   | <u>1,101,361</u>   | <u>582,687</u>    |
| SHAREHOLDERS' EQUITY               |                   |                    |                   |
| Capital stock.....                 | 14                | 45,646             | 30,144            |
| Retained earnings.....             | 24                | 79,953             | 43,691            |
|                                    |                   | <u>125,599</u>     | <u>73,835</u>     |
| Shares held by subsidiary.....     | 15                | 4,596              | 2,900             |
|                                    |                   | <u>121,003</u>     | <u>70,935</u>     |
|                                    |                   | <u>\$1,222,364</u> | <u>\$ 653,622</u> |

Approved by the Directors:

(Signed) "W. LEVINE" Director

(Signed) "G. R. DAWSON" Director



**DAON DEVELOPMENT CORPORATION**  
**CONSOLIDATED STATEMENT OF CASH FLOW FROM OPERATIONS**

|   | Years ended October 31,   |                 |                 |                 |                 |
|---|---------------------------|-----------------|-----------------|-----------------|-----------------|
|   | 1979                      | 1978            | 1977            | 1976            | 1975            |
|   | (in thousands of dollars) |                 |                 |                 |                 |
| Net income .....  | \$42,203                  | \$15,482        | \$10,340        | \$ 7,772        | \$ 6,694        |
| Items not requiring a current outlay of cash—   |                           |                 |                 |                 |                 |
| Deferred income taxes .....   | 34,350                    | 15,794          | 12,067          | 6,818           | 6,546           |
| Depreciation and amortization .....   | 2,602                     | 2,094           | 1,058           | 617             | 488             |
| Other .....   | 231                       | 153             | 81              | 52              | 27              |
| <b>CASH FLOW FROM OPERATIONS .....</b>  | <b>\$79,386</b>           | <b>\$33,523</b> | <b>\$23,546</b> | <b>\$15,259</b> | <b>\$13,755</b> |
| <b>CASH FLOW PER COMMON SHARE (Note 22) .....</b>   | <b>\$ 4.25</b>            | <b>\$ 1.83</b>  | <b>\$ 1.27</b>  | <b>\$ 0.79</b>  | <b>\$ 0.70</b>  |
| <b>CASH FLOW PER COMMON SHARE, Restated to reflect 2<br/>for 1 subdivision of shares effective February 7, 1980 .....</b> | <b>\$ 2.13</b>            | <b>\$ 0.92</b>  | <b>\$ 0.64</b>  | <b>\$ 0.40</b>  | <b>\$ 0.35</b>  |

**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**

|   | Years ended October 31,   |                  |                 |                   |                 |
|---|---------------------------|------------------|-----------------|-------------------|-----------------|
|   | 1979                      | 1978             | 1977            | 1976              | 1975            |
|   | (in thousands of dollars) |                  |                 |                   |                 |
| <b>OPERATIONAL ACTIVITIES</b>   |                           |                  |                 |                   |                 |
| Cash flow from operations .....   | \$ 79,386                 | \$ 33,523        | \$ 23,546       | \$ 15,259         | \$ 13,755       |
| Cash recovered through sales of properties—                             |                           |                  |                 |                   |                 |
| recovery of real estate costs .....                                     | 386,913                   | 260,744          | 104,980         | 87,730            | 74,665          |
| less debt discharged on properties sold .....                           | 249,298                   | 194,725          | 66,606          | 72,832            | 51,744          |
|   | 137,615                   | 66,019           | 38,374          | 14,898            | 22,921          |
| Gross cash flow from operations .....                                   | 217,001                   | 99,542           | 61,920          | 30,157            | 36,676          |
| Cash applied to properties—   |                           |                  |                 |                   |                 |
| income producing .....  | 234,084                   | 108,881          | 99,037          | 26,520            | 25,927          |
| under development .....   | 364,484                   | 237,303          | 130,181         | 95,272            | 59,339          |
| held for future development .....                                       | 151,219                   | 11,711           | 22,780          | 17,465            | 3,910           |
|   | 749,787                   | 357,895          | 251,998         | 139,257           | 89,176          |
| less net proceeds from property debt .....                              | 587,120                   | 237,831          | 191,852         | 101,013           | 62,487          |
|   | 162,667                   | 120,064          | 60,146          | 38,244            | 26,689          |
| <b>NET CASH PROVIDED FROM (APPLIED TO) OPERATIONAL ACTIVITIES .....</b> | <b>54,334</b>             | <b>(20,522)</b>  | <b>1,774</b>    | <b>(8,087)</b>    | <b>9,987</b>    |
| <b>OTHER ACTIVITIES</b>   |                           |                  |                 |                   |                 |
| Net increase of marketable securities .....                             | 12,343                    | —                | —               | —                 | —               |
| Net increase in investments .....                                       | 14,765                    | 1,419            | 12,527          | —                 | —               |
| Increase (decrease) in other assets .....                               | 6,143                     | 3,219            | 1,264           | 609               | (1,207)         |
| Dividends paid .....  | 5,174                     | 1,516            | 1,069           | 506               | 483             |
| <b>NET CASH PROVIDED FROM (APPLIED TO) OTHER ACTIVITIES .....</b>       | <b>(38,425)</b>           | <b>(6,154)</b>   | <b>(14,860)</b> | <b>(1,115)</b>    | <b>724</b>      |
| <b>CORPORATE FINANCING ACTIVITIES</b>                                   |                           |                  |                 |                   |                 |
| Net proceeds from debenture issues .....                                | 59,275                    | 28,663           | 17,240          | 14,512            | 704             |
| less debentures purchased and redeemed .....                            | 1,385                     | 413              | 1,214           | 1,261             | 360             |
|   | 57,890                    | 28,250           | 16,026          | 13,251            | 344             |
| Net proceeds from share issues .....                                    | 15,464                    | 24,041           | 111             | 64                | 124             |
| less—shares purchased by subsidiaries .....                             | 1,696                     | 1,182            | 861             | 857               | —               |
| —shares purchased and redeemed .....                                    | 729                       | —                | —               | 203               | —               |
|   | 13,039                    | 22,859           | (750)           | (996)             | 124             |
| Net proceeds from other secured debt .....                              | 46,795                    | 30,187           | 17,846          | 2,048             | 5,161           |
| Net increase in amounts receivable .....                                | (69,655)                  | (54,549)         | (21,397)        | (11,416)          | (11,450)        |
| Net increase in accounts payable and accruals .....                     | 41,817                    | 33,817           | 6,379           | 3,728             | 1,283           |
| Net (decrease) increase in bank indebtedness .....                      | —                         | —                | (700)           | 700               | (3,083)         |
|   | 18,957                    | 9,455            | 2,128           | (4,940)           | (8,089)         |
| <b>NET CASH PROVIDED FROM (APPLIED TO) CORPORATE FINANCING .....</b>    | <b>89,886</b>             | <b>60,564</b>    | <b>17,404</b>   | <b>7,315</b>      | <b>(7,621)</b>  |
| <b>INCREASE (DECREASE) IN CASH AND TERM DEPOSITS .....</b>              | <b>\$105,795</b>          | <b>\$ 33,888</b> | <b>\$ 4,318</b> | <b>\$ (1,887)</b> | <b>\$ 3,090</b> |

**DAON DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

| <b>1. Income producing properties</b> | <u>1979</u>               | <u>1978</u>      |
|---------------------------------------|---------------------------|------------------|
|                                       | (in thousands of dollars) |                  |
| Residential properties .....          | \$200,009                 | \$134,516        |
| Office buildings .....                | 75,025                    | 75,990           |
| Shopping centres .....                | 59,608                    | 6,866            |
| Industrial buildings .....            | 11,389                    | 5,778            |
|                                       | <u>346,031</u>            | <u>223,150</u>   |
| Accumulated depreciation .....        | 2,775                     | 2,365            |
|                                       | <u>\$343,256</u>          | <u>\$220,785</u> |

The Company's residential income properties consist of 6,080 units (1978—5,216 units), of which 2,724 units (1978—2,301 units) have been subdivided and registered as condominiums. The Company will market these as condominiums when operating and financial plans warrant.

| <b>2. Properties under development</b> | <u>1979</u>               | <u>1978</u>      |
|--|---------------------------|------------------|
|  | (in thousands of dollars) |                  |
| Income properties under development:   |                           |                  |
| Office buildings .....                 | \$ 71,587                 | \$ 42,696        |
| Shopping centres .....                 | 19,409                    | 39,028           |
| Industrial buildings .....             | 8,515                     | 5,229            |
| Mobile home parks .....                | 2,246                     | —                |
|  | <u>101,757</u>            | <u>86,953</u>    |
| Homes for sale .....                   | 108,160                   | 56,578           |
| Land under development for sale .....  | 88,350                    | 58,309           |
|  | <u>\$298,267</u>          | <u>\$201,840</u> |

| <b>3. Properties held for future development</b> | <u>1979</u>               | <u>1978</u>      |
|--|---------------------------|------------------|
|  | (in thousands of dollars) |                  |
| Purchase price .....                             | \$148,222                 | \$ 39,320        |
| Preliminary development costs .....              | 13,791                    | 5,953            |
| Capitalized costs .....                          | 23,191                    | 11,129           |
|  | <u>185,204</u>            | <u>56,402</u>    |
| Option deposits and related costs .....          | 17,943                    | 4,472            |
|  | <u>\$203,147</u>          | <u>\$ 60,874</u> |

**4. Cash and term deposits**

\$28,700,000 has been pledged or lodged with a Canadian chartered bank in support of various liabilities of the Company to that bank.

**5. Marketable securities**

Marketable securities have quoted market values of \$12,391,000 and have been pledged or lodged with a Canadian chartered bank in support of various liabilities of the Company to that bank.

## 6. Amounts receivable

|   | 1979                      | 1978             |
|---|---------------------------|------------------|
|   | (in thousands of dollars) |                  |
| Mortgages and agreements for sale .....   | \$119,774                 | \$ 77,606        |
| Amounts due on real estate sales .....  | 43,988                    | 19,534           |
| Rents and other tenant charges .....  | 1,954                     | 1,363            |
| Secured advances due from joint venture partners .....  | 6,662                     | 4,464            |
| Amounts receivable from employees pursuant to stock purchase plans and house mortgage loans, including \$920,000 due from certain directors and officers (1978—\$862,000) ..... | 1,147                     | 1,269            |
| Sundry .....  | 4,320                     | 3,954            |
|   | <u>\$177,845</u>          | <u>\$108,190</u> |

The mortgages and agreements for sale yield a weighted average interest rate of 11.5% per annum (1978—10.3%).

The due dates of the amounts receivable are as follows:

|                                     |                           |
|-------------------------------------|---------------------------|
|                                     | (in thousands of dollars) |
| Years ending October 31, 1980 ..... | \$116,952                 |
| 1981 .....                          | 14,276                    |
| 1982 .....                          | 9,541                     |
| 1983 .....                          | 8,823                     |
| 1984 .....                          | 22,927                    |
| Subsequent to 1984 .....            | 5,326                     |
|                                     | <u>\$177,845</u>          |

## 7. Investments

|   | 1979                      | 1978            |
|---|---------------------------|-----------------|
|   | (in thousands of dollars) |                 |
| Marketable securities acquired for long-term investment, having a quoted market value of \$35,734,000 (1978—\$17,914,000) ..... | \$25,430                  | \$13,946        |
| Other .....   | 3,281                     | —               |
|   | <u>\$28,711</u>           | <u>\$13,946</u> |

Marketable securities with quoted market values of \$10,368,000 have been pledged or lodged with a Canadian chartered bank in support of various liabilities of the Company to that bank. Subsequent to October 31, 1979, the Company sold a significant portion of its investment portfolio (see Note 23).

## 8. Other assets

|   | 1979                      | 1978            |
|---|---------------------------|-----------------|
|   | (in thousands of dollars) |                 |
| Prepaid expenses .....  | \$ 3,811                  | \$ 1,527        |
| Equipment and sundry assets, at cost less accumulated depreciation of \$1,566,000 (1978—\$719,000) .....    | 6,455                     | 3,623           |
| Debenture financing and issue expenses, net of accumulated amortization of \$611,000 (1978—\$380,000) ..... | 2,795                     | 2,898           |
|   | <u>\$13,061</u>           | <u>\$ 8,048</u> |

## 9. Debt on properties

|                                   | 1979                      |                   |                  | 1978             |
|-----------------------------------|---------------------------|-------------------|------------------|------------------|
|                                   | (in thousands of dollars) |                   |                  |                  |
|                                   | Long-term Debt            | Interim Financing | Total            | Total            |
| Income producing .....            | \$158,909                 | \$117,074         | \$275,983        | \$170,234        |
| Under development .....           | 60,484                    | 158,961           | 219,445          | 127,858          |
| Held for future development ..... | 103,517                   | 75,189            | 178,706          | 38,220           |
|                                   | <u>\$322,910</u>          | <u>\$351,224</u>  | <u>\$674,134</u> | <u>\$336,312</u> |

Construction loans on income properties under development, which are supported by take-out commitments for long-term financing are classified as long-term debt, using the interest rates and maturities of the related commitments.

The Company has financed certain of its Canadian assets with debt repayable in U.S. Dollars. This debt, translated into Canadian dollars at October 31, 1979 amounts to \$2,565,000 (1978—\$16,884,000).

The long-term debt bears interest at a weighted average rate of 10.0% per annum (1978—10.1%), with principal repayments due as follows:

|                                     | (in thousands of dollars) |
|-------------------------------------|---------------------------|
| Years ending October 31, 1980 ..... | \$ 57,138                 |
| 1981 .....                          | 42,268                    |
| 1982 .....                          | 33,364                    |
| 1983 .....                          | 15,946                    |
| 1984 .....                          | 17,040                    |
| Subsequent to 1984 .....            | 157,154                   |
|                                     | <u>\$322,910</u>          |

The interim financing is expected to be discharged or replaced by long-term debt as follows:

|   | (in thousands of dollars) |
|---|---------------------------|
| (a) To be discharged at the time of sale of property (the Company having purchase commitments as at December 1, 1979 that will result in the discharge of \$16,064,000 of this amount ..... | \$ 72,344                 |
| (b) To be assumed or discharged by purchasers of homes (the Company having arranged commitments from lenders to provide long-term mortgage funds as required by qualified purchasers) ..... | 129,860                   |
| (c) To be replaced with long-term debt for which the Company has yet to arrange commitments .....   | 65,590                    |
| (d) To be either replaced by alternative financing for which the Company has yet to arrange commitments, or discharged when due .....   | 83,430                    |
|   | <u>\$351,224</u>          |

#### 10. Debentures Payable

1979      1978  
(in thousands of dollars)

##### *Daon Development Corporation*

|  |          |          |
|--|----------|----------|
| 9¼% Sinking Fund Debentures, Series C, maturing April 15, 1994, retractable April 15, 1984 .....       | \$ 8,194 | \$ 8,686 |
| 11½% Sinking Fund Debentures, Series E, maturing April 1, 1991, retractable October 1, 1982 .....      | 14,966   | 15,000   |
| 11¼% Sinking Fund Debentures, Series F, maturing March 1, 1997, retractable March 1, 1986 .....        | 17,621   | 18,000   |
| 11% Sinking Fund Debentures, Series G, maturing February 15, 1998, retractable February 15, 1988 ..... | 14,745   | 15,000   |
| 11¼% Sinking Fund Debentures, Series H, maturing June 15, 1998, retractable June 15, 1988 .....        | 14,775   | 15,000   |

##### *Daon Corporation (a wholly-owned subsidiary)*

|  |                  |                 |
|--|------------------|-----------------|
| Floating Rate Subordinated Debenture, Series A, due October 15, 1999 ..... | 59,275           | —               |
|  | <u>\$129,576</u> | <u>\$71,686</u> |

The debentures of Daon Development Corporation are secured by a first floating charge, subject to the exceptions permitted by the instruments authorizing the issuance of each series, on the assets of Daon Development Corporation (but not the assets of any subsidiary company).

The Debenture of Daon Corporation is an unsecured obligation of Daon Corporation and carries a floating interest rate which at October 31, 1979 is 16¼% per annum. This Debenture was issued under a Debenture purchase agreement which provides, among other things, that Daon Development Corporation will, at the request of the debenture holder or under certain conditions, purchase this Debenture by April 15, 1981.



As well as being required to establish a sinking fund for its debentures, the Company is required, subject to certain defined conditions, to establish a purchase fund for certain of its debentures. The maximum amount required to meet sinking fund and purchase fund requirements for the next five years is as follows:

|                                     | Sinking<br>Fund           | Purchase<br>Fund | Total           |
|-------------------------------------|---------------------------|------------------|-----------------|
|                                     | (in thousands of dollars) |                  |                 |
| Years ending October 31, 1980 ..... | \$ 294                    | \$ 947           | \$ 1,241        |
| 1981 .....                          | 500                       | 1,840            | 2,340           |
| 1982 .....                          | 2,871                     | 1,840            | 4,711           |
| 1983 .....                          | 3,561                     | 1,440            | 5,001           |
| 1984 .....                          | 3,561                     | 1,440            | 5,001           |
|                                     | <u>\$10,787</u>           | <u>\$7,507</u>   | <u>\$18,294</u> |

#### 11. Other secured liabilities

These interest bearing liabilities, due at various intervals to 1990, are secured by the following non-property assets:

|                          | 1979                      |                      |                  | 1978            |
|--------------------------|---------------------------|----------------------|------------------|-----------------|
|                          | (in thousands of dollars) |                      |                  |                 |
|                          | Long-term<br>Debt         | Interim<br>Financing | Total            | Total           |
| Amounts receivable ..... | \$12,105                  | \$76,998             | \$ 89,103        | \$52,122        |
| Investments .....        | 8,965                     | 10,276               | 19,241           | 9,427           |
|                          | <u>\$21,070</u>           | <u>\$87,274</u>      | <u>\$108,344</u> | <u>\$61,549</u> |

#### 12. Accounts payable and accruals

|   | 1979                      | 1978            |
|---|---------------------------|-----------------|
|   | (in thousands of dollars) |                 |
| Accounts payable .....                  | \$ 31,096                 | \$20,841        |
| Accrued liabilities .....               | 24,743                    | 13,122          |
| Deferred income and deposits .....      | 16,722                    | 8,092           |
| Costs to complete properties sold ..... | 32,476                    | 21,165          |
|   | <u>\$105,037</u>          | <u>\$63,220</u> |

#### 13. Deferred income taxes

The Company follows the tax allocation method of accounting for income taxes under which full provision for income taxes is made on the entire reported income. Deferred income taxes arise primarily from:

- (a) the difference between depreciation rates employed for book purposes and those allowed for tax purposes.
- (b) income recorded currently for book purposes but reported for tax purposes as the sale proceeds are collected.
- (c) income from partnerships recorded currently for book purposes but taxable in later periods.
- (d) the capitalization of certain development and carrying costs for book purposes but deducted currently for tax purposes.

#### 14. Capital stock

|             |            |   |                           |          |
|-------------|------------|---|---------------------------|----------|
| Authorized— | 49,804,252 | Common Shares without par value   |                           |          |
|             | 10,000,000 | Preference shares with a par value of \$10 each issuable in series, of which 2,500,000 are designated as 8% Cumulative Redeemable Preference Shares, Senior Series A and 1,500,000 are designated as 9½% Cumulative Redeemable Preference Shares, Senior Series B |                           |          |
|             | 2,000,000  | 75¢ Class A Shares without par value  |                           |          |
|             |            |   | 1979                      | 1978     |
|             |            |   | (in thousands of dollars) |          |
| Issued—     | 19,761,704 | Common Shares .....   | \$ 5,331                  | \$ 4,100 |
|             | 2,427,100  | 8% Cumulative Redeemable Preference Shares, Senior Series A .....   | 24,271                    | 25,000   |
|             | 1,500,000  | 9½% Cumulative Redeemable Preference Shares, Senior Series B .....  | 15,000                    | —        |
|             | 641,076    | 75¢ Class A Shares (redeemable at \$6.00 per share at any time) .....   | 1,044                     | 1,044    |
|             |            |   | \$45,646                  | \$30,144 |

On February 23, 1979, the Company subdivided its issued Common Shares on a two-for-one basis and increased its authorized share capital by 9,804,252 Common Shares. During the year, 230,000 Common Shares were issued for a consideration of \$1,231,000 (1978--182,400 shares for \$72,000).

On October 10, 1979, the Company issued 1,500,000 9½% Cumulative Redeemable Preference Shares, Senior Series B, for \$15,000,000 cash.

As of October 31, 1979, 9,600 Common Shares are reserved for issue in connection with a Company stock option which was granted to an employee at the then prevailing market price of \$3.69 per Common Share. During 1979 no new options were granted.

The Company is entitled to purchase in the open market for cancellation all, or any number of 75¢ Class A Shares at any price and at any time. Each 75¢ Class A Share is redeemable at the shareholder's option on October 31, 1985 at \$6.00.

Under the special rights or restrictions attaching to the Preference Shares, Series A and B and, under the terms of the Trust Indenture providing for the issuance of the Daon Development Corporation debentures, the Company may not pay dividends unless certain prescribed requirements are met. In management's opinion, these restrictions will not affect the Company's present dividend policy.

Under the special rights or restrictions attaching to the Preference Shares, Series A and B, the Company is required during each quarter, subject to certain conditions, to purchase for cancellation in the market, 1% of the Preference Shares, Series A outstanding at March 31, 1979, and 1% of the Preference Shares, Series B outstanding at March 31, 1980, the latter commencing April 1, 1980.

#### 15. Shares held by subsidiary

During the current year, the Company purchased in the open market, through a subsidiary, 113,320 Common Shares for \$1,696,000, pursuant to its policy of expending in each fiscal year, under certain conditions, approximately 10% of its consolidated net income for the prior fiscal year to purchase Common Shares of the Company. The subsidiary now holds 1,700,000 Common Shares of the Company at a cost of \$4,596,000.

#### 16. Contingent liabilities and commitments

- (a) The Company is contingently liable for obligations of certain joint ventures and partnerships amounting to \$78,011,000. However, the assets of each joint venture or partnership are available and adequate to satisfy the individual obligations of the joint venture or partnership.
- (b) The Company has entered into lease agreements for terms of up to 40 years. The maximum annual rental payments required are \$1,974,000. The Company has also guaranteed annual rental payments to a maximum of \$5,429,000 in connection with the sale of certain assets; in most instances, the Company has been successful in obtaining leases or subleases that will largely offset the cost of these guarantees.
- (c) The Company has contracted costs to complete income properties under development amounting to \$108,405,000. The Company has finance commitments for \$89,649,000 of these costs.
- (d) The estimated cost to complete homes for sale and land under development for sale amounts to \$64,917,000. These costs will be financed through the proceeds of sale of these properties or by drawing on finance commitments of \$20,286,000.
- (e) The earnings of foreign subsidiaries may be subject to withholding taxes when they are distributed, however these taxes have not been provided for as the subsidiaries have no intention of declaring a dividend at this time.
- (f) The Company has no unfunded pension liabilities.

#### 17. Other revenue

|  | Years ended October 31,   |                 |                 |                |                |
|--|---------------------------|-----------------|-----------------|----------------|----------------|
|  | 1979                      | 1978            | 1977            | 1976           | 1975           |
|  | (in thousands of dollars) |                 |                 |                |                |
| Interest and other income .....                                    | \$ 7,888                  | \$ 4,396        | \$ 1,236        | \$ 913         | \$1,168        |
| Management fee income .....  | 5,242                     | 2,934           | 67              | 2,684          | 50             |
| Net gain from foreign exchange translations and transactions ..... | —                         | —               | 1,626           | —              | —              |
| Net gain on sales of marketable securities and investments .....   | 2,628                     | —               | —               | 138            | —              |
| Dividend income .....  | 1,861                     | 186             | 52              | —              | —              |
|  | <u>\$17,619</u>           | <u>\$ 7,516</u> | <u>\$ 2,981</u> | <u>\$3,735</u> | <u>\$1,218</u> |

## 18. Interest

|  | Years ended October 31,   |                 |                 |                |                |
|--|---------------------------|-----------------|-----------------|----------------|----------------|
|  | 1979                      | 1978            | 1977            | 1976           | 1975           |
|  | (in thousands of dollars) |                 |                 |                |                |
| Interest expense consists of the following:  |                           |                 |                 |                |                |
| Interest on long-term debt .....   | \$29,177                  | \$23,308        | \$13,635        | \$8,503        | \$6,522        |
| Amortization of debenture discounts and<br>other financing expenses .....                | 231                       | 154             | 133             | 52             | 27             |
| Bank and other interest .....  | 7,491                     | 3,389           | 1,665           | 501            | 998            |
| Premium (discount) on redemption of debentures .....                                     | (39)                      | (20)            | (22)            | (74)           | (27)           |
|  | <u>36,860</u>             | <u>26,831</u>   | <u>15,411</u>   | <u>8,982</u>   | <u>7,520</u>   |
| Less—Portion allocated to housing, land and income properties under<br>development ..... | 5,245                     | 3,910           | 3,044           | 1,212          | 669            |
|  | <u>\$31,615</u>           | <u>\$22,921</u> | <u>\$12,367</u> | <u>\$7,770</u> | <u>\$6,851</u> |

## 19. Capitalized costs

During the year the Company capitalized the following indirect costs:

|   | 1979                      | 1978            |
|---|---------------------------|-----------------|
|   | (in thousands of dollars) |                 |
| Interest—on specific property .....                         | \$42,746                  | \$18,273        |
| —allocated from general corporate borrowings (Note 18)..... | 5,245                     | 3,910           |
| Property taxes, net .....                                   | 1,979                     | 2,243           |
| Other indirect costs .....                                  | 8,286                     | 5,241           |
|   | <u>\$58,256</u>           | <u>\$29,667</u> |

These costs were capitalized to properties as follows:

|   |                 |                 |
|---|-----------------|-----------------|
| Income properties under development ..... | \$15,770        | \$ 7,152        |
| Homes for sale .....                      | 14,719          | 8,153           |
| Land under development for sale .....     | 12,453          | 8,635           |
| Land held for future development .....    | 15,314          | 5,727           |
| Capitalized during the year .....         | <u>\$58,256</u> | <u>\$29,667</u> |

The following summarizes the flow of capitalized costs through properties under development and held for future development:

|   |                 |                 |
|---|-----------------|-----------------|
| Balance, beginning of year .....                          | \$27,829        | \$19,632        |
| Capitalized during the year .....                         | 58,256          | 29,667          |
|   | 86,085          | 49,299          |
| Less—amounts included in cost of real estate sales .....  | 25,647          | 17,369          |
| —amounts transferred to income producing properties ..... | 10,216          | 4,101           |
| Balance, end of year .....                                | <u>\$50,222</u> | <u>\$27,829</u> |

## 20. Joint ventures and partnerships

The following amounts included within the consolidated financial statements represent the Company's proportionate share of its interest in joint venture and partnership developments:

|                   | 1979                      | 1978      |
|-------------------|---------------------------|-----------|
|                   | (in thousands of dollars) |           |
| Assets .....      | \$108,168                 | \$ 41,180 |
| Liabilities ..... | 87,156                    | 34,354    |
| Revenue .....     | 40,125                    | 11,951    |
| Expenses .....    | 28,401                    | 9,768     |

For the year ended October 31, 1977, the proportionate shares of revenue and expenses were \$9,137,000 and \$5,146,000 respectively. For the years ended October 31, 1976 and 1975 the Company's proportionate shares of revenue and expenses were not material.

## 21. United States operations

The condensed balance sheet, expressed in Canadian dollars, of the Company's U.S. operations, is as follows:

|   | 1979                      | 1978             |
|---|---------------------------|------------------|
|   | (in thousands of dollars) |                  |
| Assets  |                           |                  |
| Properties .....  | \$499,802                 | \$224,545        |
| Cash .....  | 108,623                   | 14,305           |
| Receivables .....   | 107,873                   | 49,061           |
| Other assets .....  | 5,918                     | 1,325            |
|   | <u>\$722,216</u>          | <u>\$289,236</u> |
| Liabilities   |                           |                  |
| Debt on properties .....  | \$373,615                 | \$148,170        |
| Accounts payable, accruals and other debt .....                 | 118,422                   | 50,759           |
| Debenture payable .....   | 59,275                    | —                |
| Deferred income taxes .....                                     | 41,089                    | 15,617           |
| Advances from affiliated company and shareholder's equity ..... | 129,815                   | 74,690           |
|   | <u>\$722,216</u>          | <u>\$289,236</u> |

## 22. Per share calculations

Earnings and cash flow per Common Share have been calculated using the weighted average number of Common Shares outstanding during the year (net of shares held by subsidiary) after providing for dividends on the outstanding Preference Shares and 75¢ Class A Shares.

The earnings and cash flow per Common Share for the years ended October 31, 1979, 1978, 1977, 1976 and 1975 have been restated to give effect to the change in accounting policy as described in Note 24.

The earnings and cash flow per Common Share for the years ended October 31, 1978, 1977, 1976 and 1975 have been restated to reflect subdivisions of Common Shares effective February 23, 1979, February 10, 1978 and July 15, 1977 and the reorganization of capital stock of the Company on November 21, 1975.

## 23. Events subsequent to October 31, 1979

In late October, the Company made arrangements to sell a significant portion of its investment portfolio for \$18,315,000. On November 5, 1979, this transaction was complete, resulting in a realized after tax gain of \$7,852,000 which will be included in the Company's 1980 first quarter statement of income.

In February, 1980, the Company subdivided its issued Common Shares on a two-for-one basis and increased its authorized common share capital to 80,000,000 Common Shares.

In February, 1980, the shareholders approved a special resolution allowing shareholders resident in Canada to receive, upon election, stock dividends in the form of fully paid and non-assessable Common Shares in lieu of cash dividends. The Company does not know how many shareholders will make this election.



## 24. Change in Accounting Policy

During 1980, the Company retroactively adopted the policy of deferring gains or losses on the translation of its investment in foreign operations as described in paragraph K of the Summary of Accounting Policies. These gains and losses had formerly been included within the consolidated statement of income.

The accompanying consolidated financial statements have been restated to reflect this policy. The change in policy had no effect on the 1976 and 1975 financial statements. The effects of the restatements on the 1979, 1978 and 1977 financial statements are summarized below:

|   | 1979                      | 1978     | 1977     |
|---|---------------------------|----------|----------|
| Retained earnings, beginning of year—                                 |                           |          |          |
|   | (in thousands of dollars) |          |          |
| As previously reported .....  | \$45,140                  | \$30,967 | \$21,485 |
| Adjustment for change in accounting policy for foreign exchange ..... | 1,449                     | 211      | —        |
| As restated .....   | 43,691                    | 30,756   | 21,485   |
| Net income—   |                           |          |          |
| As previously reported .....  | 43,835                    | 16,720   | 10,551   |
| Adjustment for change in accounting policy for foreign exchange ..... | 1,632                     | 1,238    | 211      |
| As restated .....   | 42,203                    | 15,482   | 10,340   |
|   | 85,894                    | 46,238   | 31,825   |
| Dividends and other deductions .....                                  | 5,941                     | 2,547    | 1,069    |
| Retained earnings, end of year, as restated .....                     | \$79,953                  | \$43,691 | \$30,756 |

## DAON DEVELOPMENT CORPORATION AUDITORS' REPORT

To the Directors

### DAON DEVELOPMENT CORPORATION

We have examined the consolidated balance sheet of Daon Development Corporation (a British Columbia company) and Subsidiaries as of October 31, 1979 and 1978, and the related consolidated statements of income, retained earnings, cash flow from operations and changes in financial position for the five years ended October 31, 1979 (on pages 86 to 98). Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We did not examine the 1975 financial statements of a consolidated subsidiary which statements were examined by other auditors whose report thereon has been furnished to us and our opinion, insofar as it related to the amounts included for this subsidiary, is based upon their report. The revenues of this subsidiary constituted 16% of the consolidated totals in 1975.

In our opinion, based upon our examination and the report of other auditors referred to above, the consolidated financial statements present fairly the financial position of Daon Development Corporation and Subsidiaries as of October 31, 1979 and 1978, and the results of their operations and changes in their financial position for the five years ended October 31, 1979, all in accordance with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the change (with which we concur) in the method of accounting for translation of investments in foreign operations as explained in Note 24 to the Consolidated Financial Statements.

Vancouver, British Columbia  
April 28, 1980.  
(except with respect to the  
matter discussed in Note 24 as  
to which the date is October  
31, 1980)

(Signed) ARTHUR ANDERSEN & CO.  
Chartered Accountants

# DAON SHOPPING CENTRES, ALBERTA

## Pro Forma Balance Sheets

|                                     | May 1,<br>1982       | December 31,<br>1980 | July 22,<br>1980     |
|-------------------------------------|----------------------|----------------------|----------------------|
| <b>ASSETS</b>                       |                      |                      |                      |
| Land and buildings                  | \$277,625,000        | \$142,355,000        | \$136,055,000        |
| Cash                                | 20,000               | 38,220,000           | 101,100              |
|                                     | <u>277,645,000</u>   | <u>180,575,000</u>   | <u>136,156,100</u>   |
| Less:                               |                      |                      |                      |
| <b>LIABILITIES</b>                  |                      |                      |                      |
| Due to Daon Development Corporation | —                    | 36,055,000           | 36,055,000           |
|                                     | <u>\$277,645,000</u> | <u>\$144,520,000</u> | <u>\$100,101,100</u> |
| <b>NET ASSETS</b>                   |                      |                      |                      |
| Represented by:                     |                      |                      |                      |
| <b>PARTNERS' CAPITAL (Note 1)</b>   |                      |                      |                      |
| Limited Partners                    |                      |                      |                      |
| Class A Units                       | \$177,625,000        | \$177,625,000        | \$ 100,000           |
| Less subscriptions receivable       | —                    | 133,125,000          | —                    |
|                                     | <u>177,625,000</u>   | <u>44,500,000</u>    | <u>100,000</u>       |
| Class B Units                       | 93,750,000           | 93,750,000           | 93,750,000           |
| Class C Units                       | 6,250,000            | 6,250,000            | 6,250,000            |
| General Partner                     | 10,000               | 10,000               | 1,000                |
| Managing General Partner            | 10,000               | 10,000               | 100                  |
|                                     | <u>\$277,645,000</u> | <u>\$144,520,000</u> | <u>\$100,101,100</u> |

Approved by the Managing General Partner,  
Daon Properties Ltd.

(Signed) "W. LEVINE", Director

## SUMMARY OF PRINCIPAL EVENTS

The pro forma balance sheets reflect only the following transactions:

a) As at July 22, 1980:

- (1) Issuance of 1 Class A Unit at \$100,000.
- (2) Contribution of \$1,000 by the General Partner and \$100 by the Managing General Partner.
- (3) The cost of acquiring the lands, buildings and other property from Daon Development Corporation for \$136,055,000. This amount is payable, as to \$36,055,000 in cash and the balance of \$100,000,000 by the Partnership recognizing a contribution by Daon of Capital allocated as to \$93,750,000 to 750 Class B Units and as to \$6,250,000 to the 50 Class C Units.

b) As at December 31, 1980:

- (1) Issuance of an additional 1420 Class A Units at \$125,000 per Class A Unit of which \$31,250 per Class A Unit has been received in cash and receipt of \$25,000 for 1 Class A Unit.
- (2) Payment of the Issue Expenses estimated to be \$6,300,000 have been capitalized in accordance with the Partnership Agreement.
- (3) The increase in the capital contribution of the General Partners to \$10,000 each.

c) As at May 1, 1982:

- (1) Receipt of the balance of the subscription price from Partners holding Class A Units.
- (2) Completion of the development of the Shopping Centres for \$277,625,000.
- (3) Payment of \$36,055,000 to Daon in respect of the acquisition of land and other property.

No effect has been given to operating revenues or expenses prior to May 1, 1982 or any transaction other than those outlined above.

**DAON SHOPPING CENTRES, ALBERTA**  
**NOTE 1 TO PRO FORMA BALANCE SHEETS**

**Partners Capital**

The amount shown as Partners Capital on each balance sheet is the amount of Subscription Price paid or capital contributions as follows:

|   | <b>Limited Partners</b> |                      |                      | <b>General Partner</b> | <b>Managing General Partner</b> |
|---|-------------------------|----------------------|----------------------|------------------------|---------------------------------|
|   | <b>Class A Units</b>    | <b>Class B Units</b> | <b>Class C Units</b> |                        |                                 |
| As at July 22, 1980   |                         |                      |                      |                        |                                 |
| Partners Capital represented by capital contributions ..... | <u>\$ 100,000</u>       | <u>\$93,750,000</u>  | <u>\$6,250,000</u>   | <u>\$ 1,000</u>        | <u>\$ 100</u>                   |
| As at December 31, 1980                                     |                         |                      |                      |                        |                                 |
| Subscription Price or capital contributions .....           | <u>\$177,625,000</u>    | <u>\$93,750,000</u>  | <u>\$6,250,000</u>   | <u>\$10,000</u>        | <u>\$10,000</u>                 |
| Less amounts receivable .....                               | <u>133,125,000</u>      | <u>—</u>             | <u>—</u>             | <u>—</u>               | <u>—</u>                        |
| Partners Capital .....                                      | <u>\$ 44,500,000</u>    | <u>\$93,750,000</u>  | <u>\$6,250,000</u>   | <u>\$10,000</u>        | <u>\$10,000</u>                 |
| As at May 1, 1982   |                         |                      |                      |                        |                                 |
| Partners Capital represented by capital contributions ..... | <u>\$177,625,000</u>    | <u>\$93,750,000</u>  | <u>\$6,250,000</u>   | <u>\$10,000</u>        | <u>\$10,000</u>                 |

**AUDITORS' REPORT**

To the Partners

DAON SHOPPING CENTRES, ALBERTA

We have examined the pro forma balance sheets of Daon Shopping Centres, Alberta for July 22, 1980, December 31, 1980 and May 1, 1982.

In our opinion, these pro forma balance sheets present fairly the financial position of the Partnership after giving effect to the transactions set forth in the Summary of Principal Events to the pro forma balance sheets, all in accordance with generally accepted accounting principles.

(signed) ARTHUR ANDERSEN & CO.  
Chartered Accountants

Vancouver, British Columbia  
November 10, 1980

## PURCHASER'S RIGHTS OF RECISSION AND DAMAGES

The Subscription Agreement attached as Schedule "A" to the Partnership Agreement provides that a purchaser of a Class A Unit has, by contract, the same rights of withdrawal, rescission or damages as is afforded to a person who purchases securities in respect of which a prospectus has been filed with the Superintendent of Brokers of British Columbia or with the Securities Commissions of the Provinces of Alberta, Saskatchewan, Manitoba and Ontario. These rights may be summarized as follows:

A purchaser in British Columbia:

- (a) has the right to rescind a contract for the purchase of Class A Units, while still the owner thereof, if a copy of this Offering Memorandum relating to such Class A Units together with financial statements and reports and summaries of reports, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the Class A Units. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell the Class A Units within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice; and
- (b) has the right to rescind a contract for the purchase of Class A Units, while still the owner thereof, if this Offering Memorandum or any amended offering memorandum contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right of rescission can be commenced by a purchaser after the expiration of 90 days from the later of the date on which this Offering Memorandum or amended offering memorandum is received or is deemed to be received by him or his agent, or the date of the contract.

A Purchaser in Alberta, Saskatchewan or Manitoba:

- (a) will not be bound by a contract for the purchase of the Class A Units if the person or company from whom the purchaser purchased the Class A Units receives written or telegraphic notice evidencing his intention not to be bound not later than midnight on the second business day, after receipt or deemed receipt by the purchaser or his agent, of this Offering Memorandum or amended offering memorandum; and
- (b) has the right to rescind a contract for the purchase of the Class A Units, while still the owner thereof, if this Offering Memorandum and any amended offering memorandum, as of the date it is received or deemed received contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement contained therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right of rescission can be commenced after the expiration of the later of 90 days from the date of receipt or deemed receipt of this Offering Memorandum or amended offering memorandum by the purchaser or his agent or the date of the contract.

A purchaser in Ontario has, in addition to any other right or remedy available at law to such purchaser, a right of action for damages or rescission against the Partnership if this Offering Memorandum or any amended offering memorandum contains a misrepresentation that was a misrepresentation at the time of purchase, but the purchaser shall have no right of action for damages or rescission if the purchaser purchased the Class A Units with knowledge of the misrepresentation. The right of action for damages or rescission is exerciseable on notice given to the Partnership not later than 90 days after the date on which payment was made for the Class A Units by the purchaser or after the time of subscription for the Class A Units by the purchaser where the subscription price was paid, in part, by delivery of a letter of credit.



## **CERTIFICATE**

Dated: November 10, 1980

### **DAON DEVELOPMENT CORPORATION**

#### **General Partner and Promoter**

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Offering Memorandum.

(Signed) "W. LEVINE"  
*Executive Vice President*

(Signed) "R. SCHROEDER"  
*Senior Vice President, Shopping Centres*

On behalf of the Board of Directors

(Signed) "W. LAURIE"  
*Director*

(Signed) "W. J. CORCORAN"  
*Director*

**DAON SHOPPING CENTRES, ALBERTA**  
**AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP**

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## DAON SHOPPING CENTRES, ALBERTA

### AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP

THIS AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP is entered into as of October 30, 1980 by and among DAON DEVELOPMENT CORPORATION as General Partner, DAON PROPERTIES LTD. as Managing General Partner and 999 HOLDINGS LTD. as Limited Partner and each and every Person who is admitted to the Partnership as a Limited Partner or who is admitted to the Partnership as a successor to any Partner, and amends and restates that certain Agreement of Limited Partnership entered into on July 15, 1980 and amended on July 22, 1980 by and among Daon Development Corporation, Daon Properties Ltd. and 999 Holdings Ltd.

WITNESS THAT IN CONSIDERATION of the covenants and agreements contained in this Agreement, the parties agree as follows:

#### ARTICLE I

##### INTERPRETATION

1.1 *Definitions.* For all purposes of this Agreement except as otherwise expressly provided or unless the context otherwise requires:

(1) "Acquisition Agreement" means the agreement dated July 22, 1980 between Daon Development Corporation and the Partnership referred to in the Offering Memorandum as the Acquisition Agreement;

(2) "Additional Lands", in respect of any Shopping Centre, means such further parcels of freehold or leasehold land which, when and if acquired by the Partnership, are to be used in connection with the construction or operation of such Shopping Centre and which adjoin such Shopping Centre or are separate therefrom only by a lane, public highway, street or intersection;

(3) "Adjusted Equivalent Capital", in respect of the Class B Units or the Class C Units, as the case may be, at any time, means the Equivalent Capital at such time less Sale Proceeds distributed at or prior to such time in respect of the Class B Units or the Class C Units, as the case may be;

(4) "Adjusted Subscription Price", in respect of the Units or the Units of any class, as the case may be, at any time, means the Subscription Price that has been paid in respect of the Units or the Units of such class, as the case may be, at or prior to such time less Sale Proceeds distributed at or prior to such time in respect of the Units or the Units of such class, as the case may be;

(5) "affiliated entity" means:

(a) any Person who is an affiliate or associate (as those terms were defined in The Securities Act (Alberta) in effect on June 30, 1980) of the General Partner or the Managing General Partner;

(b) any director or senior officer (as those terms were defined in The Securities Act (Alberta) in effect on June 30, 1980) of the General Partner, the Managing General Partner or any Person referred to in (a) above; and

(c) any Person who does not deal at arm's length with the General Partner, the Managing General Partner or any Person referred to in (a) above;

(6) "Allocated Operating Expenses" means expenses (including specifically allocated payments to salaried employees of the General Partner or the Managing General Partner and payments for supplies) incurred by the General Partner or the Managing General Partner in performing services for the Partnership, including bookkeeping, computer, printing and other services, which, but for their performance by the General Partner or the Managing General Partner, would have to be performed for the Partnership by another Person;

(7) "Appraised Value", in respect of any property, at any time, means the market value of such property set forth in the most recent Valuation of such property;



(8) "Appraiser" means a real estate appraiser or other qualified person carrying on the business of or engaged in appraising real estate who is independent of the General Partner, the Managing General Partner and any affiliated entity, but who may be regularly retained by the General Partner, the Managing General Partner or any affiliated entity, and who is appointed by the Managing General Partner;

(9) "Auditor" means a firm of chartered accountants of nationally recognized standing appointed by the Managing General Partner as auditor for the Partnership for the time being, whether or not such firm of chartered accountants is regularly retained by the General Partner, the Managing General Partner or any affiliated entity;

(10) "Bower Place Shopping Centre" means the shopping centre, including all plazas, malls, tunnels, shopping concourses, parking facilities, truck receiving facilities, retail areas, stores, office space, theatres and other buildings, facilities and works of every description, including landscaping and interior and exterior decoration, all plant, machinery, improvements and equipment and all other property, whether free-standing or otherwise, auxiliary or ancillary thereto or connected therewith or added thereto (with the exception of any buildings, facilities, works and plant, machinery, improvements, equipment and other property owned by a Person other than the Partnership), all of which now or hereafter are constructed or placed on or under the surface of those lands located in Red Deer, Alberta, legally described as:

Plan Red Deer 792 1077  
Block Six-A (6-A)  
Containing 14.0 Hectares (34.48 Acres) more or less  
(N.W. 4-38-27-W4th)  
Excepting thereout all mines and minerals;

together with the Additional Lands, if any, in respect thereof;

(11) "Business Day" means a day upon which the principal office of the Transfer Agent in Calgary is open for business to the public;

(12) "Capital", at any time, means the aggregate of the General Partner's Capital, the Managing General Partner's Capital and the Limited Partners' Capital at such time;

(13) "Cash Flow Assurance", in respect of any period ending on or before December 31, 1996, means:

(a) in respect of any such period ending on or before December 31, 1983, 8.57% per annum of the Adjusted Subscription Price in respect of the Class A Units from time to time during such period less Debt Service in respect of such period allocated in respect of the Class A Units;

(b) in respect of any such period ending after December 31, 1983 and on or before December 31, 1991, 9% per annum of the Adjusted Subscription Price in respect of the Class A Units from time to time during such period less Debt Service in respect of such period allocated in respect of the Class A Units; and

(c) in respect of any such period ending after December 31, 1991 and on or before December 31, 1996, 15% per annum of the Adjusted Subscription Price in respect of the Class A Units from time to time during such period less Debt Service in respect of such period allocated in respect of the Class A Units;

for the purpose of determining the Cash Flow Assurance, Debt Service in respect of any period to be allocated in respect of the Class A Units is that part of 99.9% of Debt Service in respect of such period that is in the same proportion to 99.9% of Debt Service in respect of such period as the number of Class A Units at the end of such period is to the total number of Units at such time;

(14) "Certificate" means the certificate filed and recorded in respect of the Partnership pursuant to the Partnership Act in the Central Registry established under The Chattel Security Registries Act (Alberta), and amendments thereto;

- (15) “Class A Unit” means a Class A Limited Partnership Unit as provided for in section 3.1;
- (16) “Class B Unit” means a Class B Limited Partnership Unit as provided for in section 3.1;
- (17) “Class C Unit” means a Class C Limited Partnership Unit as provided for in section 3.1;
- (18) “Class C Unit Entitlement Factor”, at any time (whether or not the Sunridge Mall Expansion Lands are owned by the Partnership at such time), means the greatest of:

(a) 0.00;

(b) the fraction the numerator of which is the lesser of:

(i) the number of square feet of net rentable area in the part of Sunridge Mall, if any, constructed or placed on or under the surface of the Sunridge Mall Expansion Lands which is open to the public at, or has been open to the public at any time prior to, such time; and

(ii) 200,000;

and the denominator of which is 200,000;

(c) the fraction the numerator of which is the lesser of:

(i) the Appraised Value of the Sunridge Mall Expansion Lands at the time of the Sale, if any, of the Sunridge Mall Expansion Lands together with any other part of Sunridge Mall; and

(ii) \$6,250,000;

and the denominator of which is \$6,250,000; and

(d) the fraction the numerator of which is the lesser of:

(i) the lesser of (A) the sale price or proceeds of disposition and (B) the Appraised Value, of the Sunridge Mall Expansion Lands at the time of the Sale, if any, of the Sunridge Mall Expansion Lands exclusive of any other part of Sunridge Mall; and

(ii) \$6,250,000; and

the denominator of which \$6,250,000;

at the earlier of (A) such time and (B) the date upon the Sale, if any, of the Sunridge Mall Expansion Lands is completed or the proceeds of disposition in respect thereof are received;

(19) “Current Accounts” means the accounts established pursuant to section 4.6;

(20) “Current Obligation” means any obligation incurred, created or assumed by the Partnership the principal amount of which is payable on demand or matures by its terms on, or is renewable at the option of the obligor to, a date not more than 18 months after the original incurring, creation or assumption thereof and any balance in the General Partner’s Loan Account;

(21) “Custodian” means National Trust Company, Limited or any other Person (including, for the purpose of section 3.13 but not for the purpose of section 3.10, the Managing General Partner) appointed by the Managing General Partner as Custodian for the purposes of section 3.10 and 3.13;

(22) “Debt Service”, in respect of any period, means the amount of standby fees, accommodation fees, commitment fees, agency fees, contingency fees, premiums, bonuses, penalties, interest, payments calculated by reference to cash flow, income, revenue or like amounts in respect of the Shopping Centres or any Shopping Centre and other costs, and mandatory sinking fund, purchase fund and other instalment retirements of principal, payable by the Partnership in respect of such period in respect of any borrowing by the Partnership which does not constitute a Current Obligation;

(23) “Development Agreement” means the agreement to be entered into between the Partnership and Daon Development Corporation referred to in the Offering Memorandum as the Development Services Agreement;

(24) "Development Costs" means the aggregate of (A) all payments heretofore or hereafter made and all obligations heretofore or hereafter incurred, created or assumed (other than the principal amount of money borrowed, the unpaid purchase price of any property being money borrowed) by or for the account of the Partnership (including payments and obligations to the General Partner) to the extent that such payments and obligations (a.) are made or incurred, created or assumed in connection with the development, construction or initial leasing of any Shopping Centre or any part thereof (including payments and obligations in respect of the acquisition of the lands upon which any Shopping Centre or any part thereof is or is being constructed (to the extent, in the case of any Additional Lands, of the Appraised Value of such Additional Lands at the time of the acquisition of such Additional Lands), the redevelopment or reconstruction of any Shopping Centre or any part thereof or the making of repairs, replacements or renewals to any Shopping Centre or any part thereof and (b.) are properly chargeable (although not necessarily charged) to the fixed property account of the Partnership including, without duplication, but subject to the foregoing restrictions:

(a) \$36,055,000 paid or payable to the General Partner pursuant to the Acquisition Agreement;

(b) payments to or for the account of a contractor or contractors engaged by or on behalf of the Partnership including progress or partial payments on account of property or services constituting items of cost;

(c) general and administrative expenses;

(d) costs of labour and services;

(e) costs of material, supplies, machinery, plant, equipment and apparatus acquired or used (including rental charges for machinery, equipment or apparatus hired);

(f) costs of bringing services and utilities to the lands upon which any Shopping Centre or any part thereof is or is being constructed and of providing services, utilities and access to such lands whether or not constructed or placed on or under the surface of such lands;

(g) taxes, rentals, licenses, permits, royalties, duties, excises, assessments, architectural, engineering, consultants, accounting and legal fees and expenses, superintendence, supervision and management fees, and casualty, surety bond and other insurance premiums;

(h) standby fees, accommodation fees, commitment fees, agency fees, contingency fees, premiums, bonuses, penalties, interest and other costs in respect of any indebtedness or liability;

(i) costs of fixtures, partitions and other fixed property installed in any Shopping Centre or any part thereof pursuant to agreements with lessees or sublessees or prospective lessees or sublessees;

(j) costs in connection with the initial leasing of space in any Shopping Centre or any part thereof, including advertising, promotion and like costs and commissions, fees and other amounts paid or payable to leasing agents (including the General Partner);

(k) fees paid or payable to the General Partner for the services, expertise, commitments and indemnities provided or to be provided by the General Partner pursuant to the Development Agreement; and

(l) all other costs (including demolition costs) incurred, created or assumed in connection with such development, construction, initial leasing, redevelopment or reconstruction or the making of such repairs, replacements or renewals;

and (B) funds set aside or amounts allocated to reserves maintained in amounts which in the opinion of the Managing General Partner are required to pay costs heretofore or hereafter incurred, created or assumed by or for the account of the Partnership in connection with any of the foregoing payments and obligations; less the aggregate amount of interest (other than interest on the Project Fund referred to in the

Offering Memorandum), rebates, recoveries and other receipts heretofore or hereafter received or receivable by or for the account of the Partnership to the extent that such interest, rebates, recoveries and other receipts are (a.) received or receivable in connection with any of the foregoing payments, obligations or reserves and (b.) are properly creditable (although not necessarily credited) to the fixed property account of the Partnership;

(25) "Distributable Cash", in respect of any period, means the amount, if any, in respect of such period, by which:

(a) the aggregate of:

(i) cash receipts of the Partnership during such period (including rents, interest, rebates, recoveries, payments by the General Partner pursuant to sections 6.3 and 6.16 and other receipts but excluding Limited Partners' Capital, Sale Proceeds and Refinancing Proceeds);

(ii) proceeds during such period of loans or advances to the Partnership (including advances and payments by the General Partner credited to the General Partner's Loan Account but excluding Refinancing Proceeds); and

(iii) amounts set aside as Reserves at the commencement of such period;

exceeds:

(b) the aggregate of:

(i) expenditures of the Partnership during such period (including Development Costs, Operating Expenses and other capital expenditures and expenses);

(ii) payments during such period in respect of loans or advances to the Partnership (including Debt Service and payments to the General Partner to reduce the credit balance of the General Partner's Loan Account); and

(iii) amounts set aside as Reserves at the end of such period;

all as calculated without duplication;

(26) "Distributable Net Income", in respect of any period, means Net Income (without regard to depreciation, amortization and other items not involving an expenditure in respect of such period) in respect of such period;

(27) "Equivalent Capital", in respect of the Class B Units, means \$93,750,000 and, in respect of the Class C Units at any time, means the amount obtained by multiplying the Class C Unit Entitlement Factor at such time by \$6,250,000;

(28) "Equivalent Cash Flow", in respect of the Class B Units or the Class C Units, as the case may be, in respect of any fiscal period ending on or before December 31, 1996, means:

(a) in respect of any such period ending on or before December 31, 1983, 8.57% per annum of the Adjusted Equivalent Capital in respect of the Class B Units or the Class C Units, as the case may be, from time to time during such period less Debt Service in respect of such period allocated in respect of the Class B Units, or the Class C Units, as the case may be;

(b) in respect of any such period ending after December 31, 1983 and on or before December 31, 1991, 9% per annum of the Adjusted Equivalent Capital in respect of the Class B Units or the Class C Units, as the case may be, from time to time during such period less Debt Service in respect of such period allocated in respect of the Class B Units or the Class C Units, as the case may be; and

(c) in respect of any such period ending after December 31, 1991 and on or before December 31, 1996, 15% per annum of the Adjusted Equivalent Capital in respect of the Class B Units or the Class C Units, as the case may be, from time to time during such period less Debt Service in respect of such period allocated in respect of the Class B Units or the Class C Units, as the case may be;



for the purpose of determining the Equivalent Cash Flow, Debt Service in respect of any period to be allocated in respect of the Class B Units or the Class C Units, as the case may be, is that part of 99.9% of Debt Service in respect of such period that is in the same proportion to 99.9% of Debt Service in respect of such period as the number of Class B Units or Class C Units, as the case may be, is to the total number of Units;

(29) "Equivalent Prior Allocation", in respect of the Class B Units or the Class C Units, as the case may be, in respect of any period ending on or before December 31, 1996, means:

(a) in respect of any such period ending on or before December 31, 1983, 8.57% per annum of the Adjusted Equivalent Capital in respect of the Class B Units or the Class C Units, as the case may be, from time to time during such period less Funded Interest Expense in respect of such period allocated in respect of the Class B Units or the Class C Units, as the case may be;

(b) in respect of any such period ending after December 31, 1983 and on or before December 31, 1991, 9% per annum of the Adjusted Equivalent Capital in respect of the Class B Units or the Class C Units, as the case may be, from time to time during such period less Funded Interest Expense in respect of such period allocated in respect of the Class B Units or the Class C Units, as the case may be; and

(c) in respect of any such period ending after December 31, 1991 and on or before December 31, 1996, 15% per annum of the Adjusted Equivalent Capital in respect of the Class B Units or the Class C Units, as the case may be, from time to time during such period less Funded Interest Expense in respect of such period allocated in respect of the Class B Units or the Class C Units, as the case may be;

for the purpose of determining the Equivalent Prior Allocation, Funded Interest Expense in respect of any period to be allocated in respect of the Class B Units or the Class C Units, as the case may be, is that part of 99.9% of Funded Interest Expense in respect of such period that is in the same proportion to 99.9% of Funded Interest Expense in respect of such period as the number of Class B Units or Class C Units, as the case may be, at the end of such period is to the total number of Units at such time;

(30) "Equivalent Prior Sale Proceeds Allocation", in respect of the Class B Units or the Class C Units at any time, as the case may be, means:

(a) in respect of Bower Place Shopping Centre, 22.59% of the Equivalent Capital in respect of the Class B Units or the Class C Units at such time, as the case may be;

(b) in respect of Heritage Mall, 41.39% of the Equivalent Capital in respect of the Class B Units or the Class C Units at such time, as the case may be; and

(c) in respect of Sunridge Mall, 36.02% of the Equivalent Capital in respect of the Class B Units or the Class C Units at such time, as the case may be;

(31) "Equivalent Prior Sale Proceeds Distribution", in respect of the Class B Units or the Class C Units at such time, as the case may be, means:

(a) in respect of Bower Place Shopping Centre, the amount, if any, by which 22.59% of the Equivalent Capital in respect of the Class B Units or the Class C Units at such time, as the case may be, exceeds the aggregate of:

(i) Refinancing Proceeds arising from a borrowing upon the security of Bower Place Shopping Centre (but not upon the security of any other Shopping Centre) distributed at or prior to such time to Partners holding Class B Units or Class C Units, as the case may be;

(ii) 35.31% of Refinancing Proceeds arising from a borrowing upon the security of Bower Place Shopping Centre and Heritage Mall (but not upon the security of Sunridge Mall) distributed at or prior to such time to Partners holding Class B Units or Class C Units, as the case may be;

(iii) 38.54% of Refinancing Proceeds arising from a borrowing upon the security of Bower Place Shopping Centre and Sunridge Mall (but not upon the security of Heritage Mall) distributed at or prior to such time to Partners holding Class B Units or Class C Units, as the case may be;

(iv) 22.59% of Refinancing Proceeds arising from a borrowing upon the security of Bower Place Shopping Centre, Heritage Mall and Sunridge Mall distributed at or prior to such time to Partners holding Class B Units or Class C Units, as the case may be; and

(v) 22.59% of Refinancing Proceeds arising from a borrowing not upon the security of any Shopping Centre distributed at or prior to such time to Partners holding Class B Units or Class C Units, as the case may be;

(b) in respect of Heritage Mall, the amount, if any, by which 41.39% of the Equivalent Capital in respect of the Class B Units or the Class C Units at such time, as the case may be, exceeds the aggregate of:

(i) Refinancing Proceeds arising from a borrowing upon the security of Heritage Mall (but not upon the security of any other Shopping Centre) distributed at or prior to such time to Partners holding Class B Units or Class C Units, as the case may be;

(ii) 64.69% of Refinancing Proceeds arising from a borrowing upon the security of Heritage Mall and Bower Place Shopping Centre (but not upon the security of Sunridge Mall) distributed at or prior to such time to Partners holding Class B Units or Class C Units, as the case may be;

(iii) 53.47% of Refinancing Proceeds arising from a borrowing upon the security of Heritage Mall and Sunridge Mall (but not upon the security of Bower Place Shopping Centre) distributed at or prior to such time to Partners holding Class B Units or Class C Units, as the case may be;

(iv) 41.39% of Refinancing Proceeds arising from a borrowing upon the security of Heritage Mall, Bower Place Shopping Centre and Sunridge Mall distributed at or prior to such time to Partners holding Class B Units or Class C Units, as the case may be; and

(v) 41.39% of Refinancing Proceeds arising from a borrowing not upon the security of any Shopping Centre distributed at or prior to such time to Partners holding Class B Units or Class C Units, as the case may be; and

(c) in respect of Sunridge Mall, the amount, if any, by which 36.02% of the Equivalent Capital in respect of the Class B Units or the Class C Units at such time, as the case may be, exceeds the aggregate of:

(i) Refinancing Proceeds arising from a borrowing upon the security of Sunridge Mall (but not upon the security of any other Shopping Centre) distributed at or prior to such time to Partners holding Class B Units or Class C Units, as the case may be;

(ii) 61.46% of Refinancing Proceeds arising from a borrowing upon the security of Sunridge Mall and Bower Place Shopping Centre (but not upon the security of Heritage Mall) distributed at or prior to such time to Partners holding Class B Units or Class C Units, as the case may be;

(iii) 46.53% of Refinancing Proceeds arising from a borrowing upon the security of Sunridge Mall and Heritage Mall (but not upon the security of Bower Place Shopping Centre) distributed at or prior to such time to Partners holding Class B Units or Class C Units, as the case may be;

(iv) 36.02% of Refinancing Proceeds arising from a borrowing upon the security of Sunridge Mall, Bower Place Shopping Centre and Heritage Mall distributed at or prior to such time to Partners holding Class B Units or Class C Units, as the case may be; and

(v) 36.02% of Refinancing Proceeds arising from a borrowing not upon the security of any Shopping Centre distributed at or prior to such time to Partners holding Class B Units or Class C Units, as the case may be;

(32) "Expansion", in respect of any Shopping Centre, means any work in connection with such Shopping Centre or any part thereof that results in Development Costs other than Initial Development Costs;

(33) "Expansion Debt Service", in respect of any period, means the amount of Debt Service in respect of such period in respect of any borrowing by the Partnership to pay, or to refund money expended or borrowed to pay, Development Costs incurred or paid in respect of any Expansion;

(34) "Extraordinary Resolution" means:

(a) a resolution passed by Partners holding, in the aggregate, not less than 66⅔% of the aggregate number of Units held by those Partners who being entitled to do so vote in person or by proxy at a duly convened meeting of Partners or any adjournment thereof; or

(b) a written resolution in one or more counterparts consented to in writing by Partners holding, in the aggregate, not less than 75% of the aggregate number of Units held by those Partners who are entitled to vote;

(35) "fiscal period" means the fiscal period of the Partnership;

(36) "Funded Interest Expense", in respect of any period, means the amount of standby fees, accommodation fees, commitment fees, agency fees, contingency fees, premiums, bonuses, penalties, interest, payments calculated by reference to cash flow, income, revenue or like amounts in respect of the Shopping Centres or any Shopping Centre and other costs payable by the Partnership in respect of such period in respect of any borrowing by the Partnership which does not constitute a Current Obligation;

(37) "Gain" or "Loss" means, respectively, the amount of the gain or loss of the Partnership from the Sale of a Shopping Centre after deducting all expenses of the Partnership in connection with such gain or loss;

(38) "General Partner" means Daon Development Corporation, a British Columbia company or, as herein provided, any Person who is admitted to the Partnership as a successor to any General Partner (including Daon Development Corporation);

(39) "General Partner's Capital", at any time, means the amount of cash or the agreed value of property which has been contributed by the General Partner (or any predecessor to any General Partner) to the capital of the Partnership (other than the amount of cash or the agreed value of property which has been contributed by the General Partner (or any predecessor to any General Partner) to the capital of the Partnership in respect of the Class A Units, the Class B Units or the Class C Units) at or prior to such time less the amount of cash or the agreed value of property which has been returned to the General Partner (or any predecessor to any General Partner) out of the capital of the Partnership pursuant to the provisions hereof (other than the amount of cash or the agreed value of property which has been returned to the General Partner (or any predecessor to any General Partner) out of the capital of the Partnership pursuant to the provisions hereof in respect of the Class A Units, the Class B Units or the Class C Units) at or prior to such time;

(40) "General Partner's Loan Account" means the account of the General Partner to which:

(a) advances made by the General Partner to pay Development Costs and Issue Expenses (other than Initial Development Costs and Issue Expenses in excess of \$177,625,000), Operating Expenses and other capital expenditures and expenses of the Partnership and to refund money expended by the Partnership to pay Development Costs and Issue Expenses (other than Initial Development Costs and Issue Expenses in excess of \$177,625,000), Operating Expenses and other capital expenditures and expenses of the Partnership;

(b) the amount by which the amount paid by the General Partner to the Partnership pursuant to section 6.3 in respect of any period ending on or before December 31, 1996 exceeds the amount, if any, by which the Prior Allocation in respect of such period exceeds Distributable Net Income in respect of such period;

(c) amounts paid by the General Partner to the Partnership pursuant to section 6.16; and

(d) interest on the balance of such account from time to time, calculated daily, at the Prime Rate from time to time;

is credited and to which repayments of such advances and payments of such interest are charged;

(41) "Heritage Mall" means the shopping centre, including all plazas, malls, tunnels, shopping concourses, parking facilities, truck receiving facilities, retail areas, stores, office space, theatres and other buildings, facilities and works of every description, including landscaping and interior and exterior decoration, all plant, machinery, improvements and equipment and all other property, whether free-standing or otherwise, auxiliary or ancillary thereto or connected therewith or added thereto (with the exception of any buildings, facilities, works and plant, machinery, improvements, equipment and other property owned by a Person other than the Partnership), all of which now or hereafter are constructed or placed on or under the surface of those lands located in Edmonton, Alberta, legally described as:

Plan Edmonton Ermineskin 792 1043

Block Thirty Two (32)

Lot Five (5)

Containing 18.8 Hectares (46.47 Acres) more or less

(S.W. 5-52-24-W 4th)

Excepting thereout all mines and minerals;

together with the Additional Lands, if any, in respect thereof;

(42) "holders", in respect of the Units or the Units of any class, at any time, means those Persons shown on the Certificate as Limited Partners or on the Register as the holders of Units or the Units of such class at such time;

(43) "Initial Development Costs" means the Development Costs incurred, created or assumed in connection with the development, construction and initial leasing of the Shopping Centres described in the Offering Memorandum under "The Shopping Centres";

(44) "Initial Interim Financing" means any borrowing by the Partnership in respect of the loan or credit facility described in the Offering Memorandum under "Interim Financing for the Shopping Centres" or any other borrowing on terms substantially the same (and at an effective financial cost, as that term is used in generally accepted financial practice, not greater than the effective financial cost of such first mentioned borrowing) in substitution for or replacement of, in whole or in part, such first-mentioned borrowing;

(45) "Issue Expenses" means expenses (including fees and commissions) incurred by the Partnership in connection with the offering and issue of Class A Units pursuant to section 3.10;

(46) "Limited Partner", at any time, means a Person who is shown on the Certificate as a Limited Partner at such time;

(47) "Limited Partners' Capital", at any time, means the amount of cash or the agreed value of property which has been contributed by the Limited Partners to the capital of the Partnership in respect of the Units at or prior to such time (together with the amount, if any, payable by 999 Holdings Ltd. to the Partnership pursuant to subsection 4.3(1)) less the amount of cash or the agreed value of property which has been returned to the Limited Partners out of the capital of the Partnership pursuant to the provisions hereof in respect of the Units at or prior to such time;

(48) "Major Tenants" means:

(a) in respect of Heritage Mall:

- (i) Eaton's of Canada Limited;
- (ii) F. W. Woolworth Co. Limited;
- (iii) Simpsons-Sears Limited; and
- (iv) Canada Safeway Ltd.; and

(b) in respect of Bower Place Shopping Centre:

- (i) Eaton's of Canada Limited; and
- (ii) Woodward's Stores (Alberta) Limited;

(c) in respect of Sunridge Mall:

- (i) Eaton's of Canada Limited; and
- (ii) Woodward's Stores (Alberta) Limited;



provided that any reference in this definition to an entity by name includes any affiliate of such entity;

(49) "Managing General Partner" means Daon Properties Ltd., a British Columbia company or, as herein provided, any Person who is admitted to the Partnership as a successor to any Managing General Partner (including Daon Properties Ltd.);

(50) "Managing General Partner's Capital", at any time, means the amount of cash or the agreed value of property which has been contributed by the Managing General Partner (or any predecessor to any Managing General Partner) to the capital of the Partnership (other than the amount of cash or the agreed value of property which has been contributed by the Managing General Partner (or any predecessor to any Managing General Partner) to the capital of the Partnership in respect of the Class A Units, the Class B Units or the Class C Units) at or prior to such time less the amount of cash or the agreed value of property which has been returned to the Managing General Partner (or any predecessor to any Managing General Partner) out of the capital of the Partnership pursuant to the provisions hereof (other than the amount of cash or the agreed value of property which has been returned to the Managing General Partner (or any predecessor to any Managing General Partner) out of the capital of the Partnership pursuant to the provisions hereof in respect of the Class A Units, the Class B Units or the Class C Units) at or prior to such time;

(51) "Mortgage" means a charge upon specific property by mortgage, hypothec, pledge, charge, lien or other encumbrance, including that contained in a debenture, mortgage, deed of trust or other instrument evidencing security, whether or not there is a covenant to assume or to pay a sum of money;

(52) "Net Adjusted Subscription Price", in respect of the Units or the Units of any class, as the case may be, at any time, means the Subscription Price that has been paid in respect of the Units or the Units of such class, as the case may be, at or prior to such time less Refinancing Proceeds and Sale Proceeds distributed at or prior to such time in respect of the Units or the Units of such class, as the case may be;

(53) "Net Income" or "Net Loss", in respect of any period, means, respectively, the net income or net loss (without regard to Gain or Loss) of the Partnership in respect of such period;

(54) "net rentable area", in respect of any Shopping Centre or any part thereof, means the area of all floors and mezzanines (other than mezzanines that have been constructed by a tenant and are used exclusively for storage) of all storeys in each interior leaseable premises in such Shopping Centre or any part thereof, calculated by measuring from the exterior surfaces of the exterior walls and of all walls adjoining common areas, from the centre line of party or demising walls separating two or more interior leaseable premises and from the lease line separating any interior leaseable premises from other areas in such Shopping Centre where no wall exists, all without deduction or exclusion for any space occupied by or used for columns, stairs, elevators, escalators or other interior construction or equipment or for any storefront or doorway areas recessed from the lease line;

(55) "Offering Memorandum" means the offering memorandum to be dated November 10, 1980 prepared by the General Partner in connection with the offering of Class A Units pursuant to section 3.10;

(56) "Opening Date" means the earlier of (A) the first date on which each of the Shopping Centres is open to the public and each of the Major Tenants (other than, in respect of Heritage Mall, Eaton's of Canada Limited) is paying or liable to pay rent to the Partnership and (B) October 31, 1983;

(57) "Operating Expenses" means all expenses incurred by or on behalf of the Partnership in connection with its business including those incurred in respect of salaries and wages of administrative and operating personnel, property management, insurance premiums, taxes, utilities, repairs, maintenance, computer time-sharing, accounting, statistical or bookkeeping services, computing or accounting equipment use, telephone expenses, advertising and promotional expenses, commissions or fees paid as leasing or like commissions to Persons in connection with the leasing of space in the Shopping Centres (other than the initial leasing of space in any Shopping Centre or any part thereof) and the renewal of leases and expenses incurred by or on behalf of the Partnership in respect of the

administration of the Partnership including bookkeeping, professional fees, fees of the Transfer Agent, filing fees and other expenses incidental to the administration of the Partnership including Allocated Operating Expenses but excluding (A) overhead expenses, salaries or wages paid by the General Partner or the Managing General Partner to its employees, officers or directors not included in Allocated Operating Expenses, (B) expenditures attributable to obtaining Sale Proceeds or Refinancing Proceeds and (C) any expenditure to the extent such expenditure is included in Development Costs;

(58) "Ordinary Resolution" means:

(a) a resolution passed by Partners holding, in the aggregate, not less than 50% of the aggregate number of Units held by those Partners who being entitled to do so vote in person or by proxy at a duly convened meeting of Partners or any adjournment thereof; or

(b) a written resolution in one or more counterparts consented to in writing by Partners holding, in the aggregate, not less than 66⅔% of the aggregate number of Units held by those Partners who are entitled to vote;

(59) "Partners" means the General Partner, the Managing General Partner and the Limited Partners and "Partner" means any one of the Partners;

(60) "Partnership" means the limited partnership formed pursuant to the laws of the Province of Alberta by and among Daon Development Corporation as General Partner, Daon Properties Ltd. as Managing General Partner and 999 Holdings Ltd. as Limited Partner under the firm name and style of "Daon Shopping Centres, Alberta";

(61) "Partnership Act" means The Partnership Act (Alberta);

(62) "Person" means an individual, corporation, body corporate, partnership, joint venture, association, syndicate, trust or unincorporated organization or any trustee, executor, administrator or other legal representative;

(63) "Prime Rate", at any time during any month, means the rate of interest declared to the Managing General Partner by the main branch in Vancouver, British Columbia of Bank of Montreal as the rate of interest charged by such bank on the 10th day of such month to its most credit-worthy commercial customers for short term unsecured loans in Canadian funds payable on demand;

(64) "Prior Allocation", in respect of any period ending on or before December 31, 1996, means:

(a) in respect of any such period ending on or before December 31, 1983, 8.57% per annum of the Adjusted Subscription Price in respect of the Class A Units from time to time during such period less Funded Interest Expense in respect of such period allocated in respect of the Class A Units;

(b) in respect of any such period ending after December 31, 1983 and on or before December 31, 1991, 9% per annum of the Adjusted Subscription Price in respect of the Class A Units from time to time during such period less Funded Interest Expense in respect of such period allocated in respect of the Class A Units; and

(c) in respect of any such period ending after December 31, 1991 and on or before December 31, 1996, 15% per annum of the Adjusted Subscription Price in respect of the Class A Units from time to time during such period less Funded Interest Expense in respect of such period allocated in respect of the Class A Units;

for the purpose of determining the Prior Allocation, Funded Interest Expense in respect of any period to be allocated in respect of the Class A Units is that part of 99.9% of Funded Interest Expense in respect of such period that is in the same proportion to 99.9% of Funded Interest Expense in respect of such period as the number of Class A Units at the end of such period is to the total number of Units at such time;

(65) "Prior Sale Proceeds Allocation" means:

(a) in respect of Bower Place Shopping Centre, 22.59% of the Subscription Price in respect of the Class A Units;

(b) in respect of Heritage Mall, 41.39% of the Subscription Price in respect of the Class A Units; and

(c) in respect of Sunridge Mall, 36.02% of the Subscription Price in respect of the Class A Units;

(66) “Prior Sale Proceeds Distribution”, at any time, means:

(a) in respect of Bower Place Shopping Centre, the amount, if any, by which 22.59% of the Subscription Price in respect of the Class A Units exceeds the aggregate of:

(i) Refinancing Proceeds arising from a borrowing upon the security of Bower Place Shopping Centre (but not upon the security of any other Shopping Centre) distributed at or prior to such time to Partners holding Class A Units;

(ii) 35.31% of Refinancing Proceeds arising from a borrowing upon the security of Bower Place Shopping Centre and Heritage Mall (but not upon the security of Sunridge Mall) distributed at or prior to such time to Partners holding Class A Units;

(iii) 38.54% of Refinancing Proceeds arising from a borrowing upon the security of Bower Place Shopping Centre and Sunridge Mall (but not upon the security of Heritage Mall) distributed at or prior to such time to Partners holding Class A Units;

(iv) 22.59% of Refinancing Proceeds arising from a borrowing upon the security of Bower Place Shopping Centre, Heritage Mall and Sunridge Mall distributed at or prior to such time to Partners holding Class A Units; and

(v) 22.59% of Refinancing Proceeds arising from a borrowing not upon the security of any Shopping Centre distributed at or prior to such time to Partners holding Class A Units;

(b) in respect of Heritage Mall, the amount, if any, by which 41.39% of the Subscription Price in respect of the Class A Units exceeds the aggregate of:

(i) Refinancing Proceeds arising from a borrowing upon the security of Heritage Mall (but not upon the security of any other Shopping Centre) distributed at or prior to such time to Partners holding Class A Units;

(ii) 64.69% of Refinancing Proceeds arising from a borrowing upon the security of Heritage Mall and Bower Place Shopping Centre (but not upon the security of Sunridge Mall) distributed at or prior to such time to Partners holding Class A Units;

(iii) 53.37% of Refinancing Proceeds arising from a borrowing upon the security of Heritage Mall and Sunridge Mall (but not upon the security of Bower Place Shopping Centre) distributed at or prior to such time to Partners holding Class A Units;

(iv) 41.39% of Refinancing Proceeds arising from a borrowing upon the security of Heritage Mall and Bower Place Shopping Centre and Sunridge Mall distributed at or prior to such time to Partners holding Class A Units; and

(v) 41.39% of Refinancing Proceeds arising from a borrowing not upon the security of any Shopping Centre distributed at or prior to such time to Partners holding Class A Units; and

(c) in respect of Sunridge Mall, the amount, if any, by which 36.02% of the Subscription Price in respect of the Class A Units exceeds the aggregate of:

(i) Refinancing Proceeds arising from a borrowing upon the security of Sunridge Mall (but not upon the security of any other Shopping Centre) distributed at or prior to such time to Partners holding Class A Units;

(ii) 61.46% of Refinancing Proceeds arising from a borrowing upon the security of Sunridge Mall and Bower Place Shopping Centre (but not upon the security of Heritage Mall) distributed at or prior to such time to Partners holding Class A Units;

(iii) 46.53% of Refinancing Proceeds arising from a borrowing upon the security of Sunridge Mall and Heritage Mall (but not upon the security of Bower Place Shopping Centre) distributed or prior to such time to Partners holding Class A Units;

(iv) 36.02% of Refinancing Proceeds arising from a borrowing upon the security of Sunridge Mall, Bower Place Shopping Centre and Heritage Mall distributed at or prior to such time to Partners holding Class A Units; and

(v) 36.02% of Refinancing Proceeds arising from a borrowing not upon the security of any Shopping Centre distributed at or prior to such time to Partners holding Class A Units;

(67) "Property Management Agreement" means the agreement to be entered into between the Partnership and Daon Management Ltd. for the management of the Shopping Centres referred to in the Offering Memorandum as the Property Management Agreement;

(68) "Refinancing" means a borrowing by the Partnership which does not constitute a Current Obligation;

(69) "Refinancing Proceeds" means:

(a) all receipts arising from a Refinancing less (without duplication) the following:

(i) the amount necessary for the payment of all debts and obligations of the Partnership which are intended or required to be paid out of such receipts; and

(ii) the amount thereof set aside as Reserves; and

(b) the amount, if any, by which \$177,625,000 exceeds the aggregate of:

(i) Initial Developments Costs; and

(ii) Issue Expenses;

(70) "Register" means the register maintained by the Transfer Agent pursuant to subsection 3.17(2);

(71) "Reserves" means funds set aside or amounts allocated to reserves maintained in amounts which in the opinion of the Managing General Partner are required to pay Development Costs, Debt Service, Operating Expenses, other capital expenditures and costs and expenses of the Partnership;

(72) "Sale" means the sale of a Shopping Centre or any part thereof or interest therein, the receipt of compensation for the expropriation of or injurious affection to a Shopping Centre or any part thereof or any interest therein or the recovery of damage awards or insurance proceeds (other than business or rental interruption insurance proceeds) in respect thereof;

(73) "Sale Proceeds" means all receipts arising from a Sale less (without duplication) the following:

(a) the amount necessary for the payment of all debts and obligations of the Partnership intended or required to be paid out of such receipts (which, in the case of the receipt of compensation for the expropriation of or injurious affection to a Shopping Centre or any part thereof or interest therein or the recovery of damage awards or insurance proceeds in respect thereof, will include cash paid or to be paid in the discretion of the Managing General Partner in connection with repairs, replacements or renewals relating to such expropriation, injurious affection or damage); and

(b) the amount thereof set aside as Reserves;

(74) "Shopping Centre" means any of Bower Place Shopping Centre, Heritage Mall or Sunridge Mall and "Shopping Centres" means Bower Place Shopping Centre, Heritage Mall and Sunridge Mall;

(75) "Specified Lending Institution" means:

(a) any bank to which the Bank Act (Canada) applies, any bank, trust company, savings and loan association or similar institution chartered under the laws of the United States of America or any State thereof whose most recently published financial statements disclose combined capital and surplus of at least \$50,000,000 (U.S.) or any other bank whose most recently published financial statements disclose combined capital and surplus of at least \$50,000,000;

(b) a loan corporation or trust company incorporated or registered under one of the Trust Companies Acts ("Trust Companies Acts" for this purpose means any of the Trust Companies Act (Canada), the Trust Company Act (British Columbia), The Trust Companies Act (Alberta),



The Trust Companies Act (Saskatchewan), The Loan and Trust Corporations Act (Ontario) or the Trust Companies Act (Quebec));

(c) an insurance company licensed under one of the Insurance Acts ("Insurance Acts" for this purpose means any of the Canadian and British Insurance Companies Act (Canada), the Foreign Insurance Companies Act (Canada), the Insurance Act (British Columbia), The Saskatchewan Insurance Act (Saskatchewan), The Alberta Insurance Act (Alberta), The Insurance Act (Manitoba), The Insurance Act (Ontario) or An Act respecting Insurance (Quebec)), any insurance company licensed or otherwise qualified under applicable laws of the United States of America or any State thereof whose most recently published financial statements disclose consolidated assets aggregating at least \$100,000,000 (U.S.) or any other insurance company whose most recently published financial statements disclose consolidated assets aggregating at least \$100,000,000;

(d) any corporation approved as a lender under the National Housing Act (Canada);

(e) a corporation which has an exclusive advisory and/or management agreement with one of the aforementioned Specified Lending Institutions (in each case other than any affiliated entity);

(f) Canada Mortgage and Housing Corporation; or

(g) a Pension Fund (other than a superannuation or pension fund for employees of any affiliated entity)("Pension Fund" for this purpose means an employee's superannuation or pension fund or plan whose investment powers are regulated or governed by any of the Pension Benefits Standards Act (Canada), The Pension Benefits Act (Alberta), The Pension Benefits Act (Saskatchewan), The Pension Benefits Act (Ontario) or An Act respecting Supplemental Pension Plans (Quebec));

and includes any Person who holds evidence of indebtedness issued pursuant to a Mortgage to a trust company referred to in subsection (b) above, provided that there is included among such Persons at least one of the foregoing Specified Lending Institutions:

(76) "Subscription Price", in respect of a Unit, means the amount of Capital to be contributed to the Partnership (whether or not contributed) in respect of such Unit;

(77) "Sunridge Mall" means the shopping centre, including all plazas, malls, tunnels, shopping concourses, parking facilities, truck receiving facilities, retail areas, stores, office space, theatres and other buildings, facilities and works of every description, including landscaping and interior and exterior decoration, all plant, machinery, improvements and equipment and all other property, whether free-standing or otherwise, auxiliary or ancillary thereto or connected therewith or added thereto (with the exception of any buildings, facilities, works and plant, machinery, improvements, equipment and other property owned by a Person other than the Partnership), all of which now or hereafter are constructed or placed on or under the surface of those lands located in Calgary, Alberta, legally described as:

that part of

Plan Sun Ridge Calgary 8010549

Block One (1)

Containing 31.69 Hectares (78.23 Acres) more or less

Excepting thereout all mines and minerals;

that remains after the subdivision thereof and the reconveyance to Daon Development Corporation of the part thereof referred to as "Land Retained by Daon" on the site plan under "Site Plan — Sunridge Mall" in the Offering Memorandum

together with the Additional Lands, if any, in respect thereof;

(78) "Sunridge Mall Expansion Lands" means that portion (containing approximately 17 acres) of those lands in Calgary, Alberta, legally described as:

Plan Sun Ridge Calgary 8010549

Block One (1)

Containing 31.69 Hectares (78.23 Acres) more or less

Excepting thereout all mines and minerals;

designated as “Land Held for Expansion of Sunridge Mall” on the site plan under “Site Plan—Heritage Mall” in the Offering Memorandum;

(79) “Taxable Income” or “Tax Loss”, in respect of any fiscal period (including the periods deemed to be fiscal periods pursuant to sections 6.8 and 6.9), means, respectively, the amount of income or loss of the Partnership for such period as determined by the Managing General Partner in accordance with the provisions of the Income Tax Act (Canada) (including the amount of the taxable capital gain or allowable capital loss from the disposition of each capital property of the Partnership as determined by the Managing General Partner in accordance with the provisions of the Income Tax Act (Canada));

(80) “Transfer Agent” means the Person for the time being appointed by the Managing General Partner on behalf of the Partnership to act as registrar and transfer agent for the Partnership;

(81) “Unit” means a Unit as provided for in section 3.1;

(82) “Unit Certificate” means a certificate substantially in the form set out in Schedule “B”; and

(83) “Valuation” means a certificate signed by an Appraiser setting forth the market value of any property as at a specified date and stating that the value so set out represents the best estimate by such Appraiser of the highest price in terms of money (without deduction, except to the extent referred to below, of the amount secured by any encumbrance affecting such property) which such property would bring if exposed for sale in the open market in the course of an orderly sale, allowing a reasonable time to find a purchaser with knowledge of the uses to which such property is adapted and for which it is capable of being used; the certificate shall also contain a statement that the Appraiser has reviewed any appropriate register of title or an opinion of counsel in respect thereof in order to inform himself as to encumbrances thereagainst; and that, to the extent relevant, the same have been taken into account in the market value arrived at; the report shall also contain the certificate of such Appraiser substantially to the effect that he personally inspected such property, to the best of his knowledge and belief the information and data used in such report are true and correct, he has no contemplated, present or prospective interest in such property and neither his engagement to make such report nor his compensation in respect thereof is contingent upon the market value set forth in such report.

1.2 *Interpretation.* For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(1) “this Agreement” means this amended and restated agreement of limited partnership as it may from time to time be supplemented or amended by one or more agreements entered into pursuant to the applicable provisions hereof;

(2) any references in this Agreement to a designated “Article”, “section” or other subdivision is to the designated Article, section or other subdivision of this Agreement;

(3) the words “herein”, “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, section or other subdivision of this Agreement;

(4) the headings are for convenience only and do not form a part of this Agreement and are not intended to interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof;

(5) the word “including”, when following any general statement, term or matter, is not to be construed to limit such general statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not nonlimiting language (such as “without limitation” or “but not limited to” or words of similar import) is used with reference thereto but rather refers to all other items or matters that could reasonably fall within the broadest possible scope of such general statement, term or matter;

(6) all accounting terms not otherwise defined herein have the meanings assigned to them, and all calculations to be made hereunder are to be made, in accordance with generally accepted accounting principles applicable to the undertaking of the Partnership;

(7) any reference to currency is to Canadian currency;

(8) the words “distribution” and “distributed” and other words of similar meaning, when used with reference to a Partner, refer to any amount paid or other property distributed by the Partnership to such Partner in respect of any interest of such Partner in the Partnership, but do not refer to any amount paid to such Partner in respect of any property acquired by the Partnership from, or any services provided to the Partnership by, such Partner;

(9) any reference to a statute includes and is a reference to such statute and to the regulations made pursuant thereto, with all amendments made thereto and in force from time to time, and to any statute or regulations that may be passed which has the effect of supplementing or superseding such statute or such regulations;

(10) any reference to an entity includes and is also a reference to any entity that is a successor to such entity;

(11) Persons are not dealing “at arm’s length” with one another if they would not be dealing at arm’s length with one another for purposes of the Income Tax Act (Canada) in effect on June 30, 1980;

(12) the number of Units or Units of any class held by a Partner at any time is the number of Units or Units of such class shown on the Certificate as being held by such Partner at such time;

(13) where a calculation of an amount equal to a specified percentage per annum of a specified amount is to be made for, or in respect of, any period, such percentage is not to be compounded;

(14) where a calculation of an amount equal to a specified percentage per annum of a specified amount is to be made for or in respect of any period, the amount to be calculated is to accrue from day to day, and, if for any reason it is necessary to calculate such amount in respect of a period of less than one year, an appropriate pro-rata adjustment is to be made on a daily basis in order to calculate such amount in respect of such period;

(15) where a calculation of Cash Flow Assurance, Equivalent Cash Flow, Equivalent Prior Allocation, Equivalent Prior Sale Proceeds Distribution, Prior Allocation or Prior Sale Proceeds Distribution is to be made and the amount determined by such calculation is a negative amount, the Cash Flow Assurance, Equivalent Cash Flow, Equivalent Prior Allocation, Equivalent Prior Sale Proceeds Distribution, Prior Allocation or Prior Sale Proceeds Distribution, as the case may be, to be determined is to be \$0.00;

(16) where a calculation of the amount of Distributable Net Income or Net Loss or of Taxable Income or Tax Loss to be allocated to any Partner in respect of the fiscal period in which the Opening Date occurs is to be made, such amount is the algebraic sum of the amount of Distributable Net Income and Net Loss or of Taxable Income and Tax Loss, respectively, that is allocated to such Partner in respect of the part of such fiscal period commencing on the first day of such fiscal period and ending on the day immediately preceding the Opening Date and in respect of the part of such fiscal period commencing on the Opening Date and ending on the last day of such fiscal period;

(17) for the purpose of determining which Partners or Partners holding Units or Units of any class, as the case may be, are entitled to notice of, or to vote at, a meeting of Partners or are entitled to receive a distribution or for any other proper purpose, as the case may be, the Managing General Partner may fix in advance a date as the record date, but, where a record date is fixed, it is not to be more than 14 days before the date on which the particular action requiring such determination is to be taken (or, in the case of any allocation, the date as at which such allocation is to be made and, in the case of any distribution, the date on which Persons entitled to such distribution are to be determined) and, where no record date is fixed, the date on which such notice is given or on which such meeting is held or on which such allocation or distribution is made or on which such other action is taken, as the case may be, is the record date for such determination, and a determination of which Partners or Partners holding Units or Units of any class, are entitled to vote at a meeting made as provided in this subsection applies to an adjournment of such meeting;

(18) any reference to an “approval”, “authorization” or “consent” of the General Partner or the Managing General Partner means the written approval, written authorization or written consent of the General Partner or the Managing General Partner, as the case may be; and

(19) words importing the masculine gender include the feminine or neuter gender and words in the singular include the plural, and vice versa.

1.3 *Schedules.* The following are the Schedules to this Agreement:

|            |   |
|------------|---|
| Schedule A | Form of Subscription Agreement and Letter of Credit |
| Schedule B | Form of Unit Certificate                            |
| Schedule C | Form of Assignment                                  |

## ARTICLE 2

### FORMATION OF PARTNERSHIP AND RELATIONSHIP BETWEEN PARTNERS

2.1 *Formation of Partnership.* The General Partner, the Managing General Partner and 999 Holdings Ltd. hereby (A) agree to and do form a limited partnership under the Partnership Act to carry on business under the firm name and style of name "Daon Shopping Centres, Alberta"; (B) covenant to prepare, complete and file the Certificate and to do all such things and to execute and deliver all such documents, instruments and assurances as may be necessary to constitute and form such limited partnership; and (C) agree that the Partnership is effective the date of filing and recording of the Certificate in the Central Registry established under The Chattel Security Registries Act (Alberta).

2.2 *Business of Partnership.* The Partnership shall carry on the business of acquiring lands for the Shopping Centres, developing, constructing and leasing the Shopping Centres and owning, leasing, managing and operating the Shopping Centres following the completion thereof and, with a view to making a profit from such business and selling the Shopping Centres with a view to making a profit from such sale or sales which is a capital gain, and may carry on any business and exercise all powers ancillary and incidental thereto or in furtherance thereof; the Partnership shall not carry on any other business and shall not invest any of its funds in any other property except short term investments permitted by section 8.6.

2.3 *Principal Place of Business.* The principal place of business of the Partnership shall be in the City of Calgary, Alberta.

2.4 *Fiscal Period.* The first fiscal period shall commence on the date of the filing and recording of the Certificate and end on December 31, 1980 and subsequent fiscal periods shall commence on January 1 of each year and end on the following December 31.

2.5 *Status of General Partner.* The General Partner represents and warrants to and covenants with each Limited Partner that the General Partner:

(1) is and shall continue to be a company incorporated and existing under the laws of the Province of British Columbia or such other jurisdiction under which the General Partner may continue or under which a successor to the General Partner may be incorporated or continue and is and shall be a valid and subsisting corporation under the laws of, and qualified to carry on business in, the Province of Alberta;

(2) has and shall continue to have the appropriate capacity to act as the General Partner and to perform its obligations under this Agreement and that such obligations do not and shall not conflict with or constitute a default under its Memorandum or Articles or any agreement by which it is bound; and

(3) shall act with the utmost fairness and good faith towards the other Partners in the business of the Partnership.

2.6 *Status of Managing General Partner.* The Managing General Partner represents and warrants to and covenants with each Limited Partner that the Managing General Partner:

(1) is and shall continue to be a company incorporated and existing under the laws of the Province of British Columbia or such other jurisdiction under which the Managing General Partner may continue or under which a successor to the Managing General Partner may be incorporated or continue and is and shall be a valid and subsisting corporation under the laws of, and qualified to carry on business in, the Province of Alberta;



(2) has and shall continue to have the corporate capacity to act as the Managing General Partner and to perform its obligations under this Agreement and that such obligations do not and shall not conflict with or constitute a default under its Memorandum or Articles or any agreement by which it is bound; and

(3) shall act with the utmost fairness and good faith towards the other Partners in the business of the Partnership.

**2.7 Status of Each Limited Partner.** Each Limited Partner represents and warrants to and covenants with each other Partner that such Limited Partner has and shall have the capacity and competency to enter into and be bound by this Agreement and shall, at the request of the Managing General Partner, provide such evidence of compliance with such representation, warranty and covenant as the Managing General Partner may request.

**2.8 Limitations on Authority of Limited Partners.** No Partner, except the General Partner or the Managing General Partner, shall or shall be entitled to:

- (1) take part in the control of the business of the Partnership;
- (2) execute any document which binds or purports to bind the Partnership or any other Partner as such;
- (3) purport to have the power or authority to bind the Partnership or any other Partner as such;
- (4) have any authority to undertake any obligation or responsibility on behalf of the Partnership;
- (5) bring any action for partition or sale or otherwise in connection with any interest in any property of the Partnership, whether real or personal, or register, or permit to be filed or registered or remain undischarged, against any property of the Partnership any lien or charge in respect of the interest of such Partner in the Partnership; or
- (6) compel a partition, judicial or otherwise, of any of the property of the Partnership distributed to the Partners in kind.

**2.9 Power of Attorney.** Each Limited Partner hereby irrevocably nominates, constitutes and appoints the Managing General Partner, with full power of substitution, as his agent and true and lawful attorney to act on his behalf with full power and authority in his name, place and stead to execute, swear to, acknowledge, deliver and record or file as and where required:

- (1) this Agreement, the Certificate, any amendment to this Agreement or the Certificate and any other instrument required to qualify, continue and keep in good standing the Partnership as a limited partnership, or otherwise to comply with the laws of any jurisdiction in which the Partnership may carry on business or own or lease property in order to maintain the limited liability of the Limited Partners and to comply with the applicable laws of such jurisdiction (including such amendments to the Certificate as may be necessary to reflect the admission to the Partnership of additional Limited Partners (as contemplated by section 3.11) or substituted Limited Partners (as contemplated by section 3.18));
- (2) any instrument, and any amendment to the Certificate, necessary to reflect any amendment to this Agreement;
- (3) any instrument required in connection with the dissolution and termination of the Partnership;
- (4) any instrument required in connection with an assignment of a Class A Unit to Daon pursuant to section 7.6; and
- (5) any instrument required in connection with any election that may be made under the Income Tax Act (Canada) or any analogous fiscal legislation.

To evidence the foregoing, each Limited Partner, in executing a subscription form and power of attorney in the form attached hereto as Schedule "A" or in executing an assignment in the form attached hereto as Schedule "C", has executed a power of attorney containing the powers set forth above. The power of attorney granted herein and therein is irrevocable and is a power coupled with an interest and

survives the assignment by a Limited Partner of the whole or any part of the interest of such Limited Partner in the Partnership and extends to the heirs, executors, administrators and other legal representatives and successors and assigns of such Limited Partner and shall survive the death or disability of such Limited Partner until notice of such death or disability is delivered to the Managing General Partner and may be exercised by the Managing General Partner on behalf of each Limited Partner in executing any instrument by listing all the Limited Partners thereon and executing such instrument with a single signature as attorney and agent for all of them. Each Limited Partner agrees to be bound by any representation or action made or taken by the Managing General Partner pursuant to such power of attorney and hereby waives any and all defenses which may be available to contest, negate or disaffirm the action of the Managing General Partner taken in good faith under such power of attorney.

2.10 *Unlimited Liability of General Partner and Managing General Partner.* The General Partner and the Managing General Partner shall each have unlimited liability for the debts, liabilities and obligations of the Partnership.

2.11 *Limited Liability of Limited Partners.* Subject to the provisions of the Partnership Act, the liability of a Limited Partner for the debts, liabilities and obligations of the Partnership shall be limited, in the case of a Partner holding Class A Units, to the amount of the Subscription Price in respect of the Class A Units held by such Partner and, in the case of a Partner who is a holder of a Unit of any other class, to the amount of Limited Partners' Capital attributable to the Units of such other class held by such Partner and a Partner shall not be liable for any further claims, assessments or contributions to the Partnership.

2.12 *Indemnity of Limited Partners.* The General Partner shall indemnify and hold harmless each Limited Partner from any costs, damages, liabilities or expenses suffered or incurred by such Limited Partner because the liability of such Limited Partner is not limited in the manner provided in section 2.11 unless the liability of such Limited Partner is not so limited as a result of, or arising out of, any act or omission of such Limited Partner.

2.13 *Limitation of Liability of General Partner and Managing General Partner.* Neither the General Partner nor the Managing General Partner shall be liable to a Limited Partner for any act, omission or error in judgement other than any act, omission or error in judgement as a result of which the General Partner or the Managing General Partner, as the case may be, is adjudged to be in contravention of section 8.7.

2.14 *Indemnity of Partnership.* The General Partner and the Managing General Partner shall each indemnify and hold harmless the Partnership from any costs, damages, liabilities or expenses suffered or incurred by the Partnership resulting from or arising out of, any act or omission as a result of which the General Partner or the Managing General Partner is adjudged to be in contravention of section 8.7, including legal expenses incurred by the Partnership to defend any action, suit or proceeding based in whole or in part upon allegations indicating that such Partner has been guilty of such contravention of section 8.7, if the defense thereof is substantially unsuccessful with respect to such allegations; if any such action, suit or proceeding is settled, such action, suit or proceeding shall be deemed, for the purposes of this section 2.14, to have been unsuccessfully defended unless the settlement is approved by an order of a court of competent jurisdiction.

2.15 *Indemnity of General Partner and Managing General Partner.* If the General Partner or the Managing General Partner, as the case may be, has acted honestly and in good faith towards the other Partners, the Partnership shall indemnify and hold harmless such Partner from any costs, damages, liabilities or expenses suffered or incurred by such Partner resulting from or arising out of any act or omission of such Partner on behalf of the Partnership or in furtherance of the business of the Partnership unless such costs, damages, liabilities or expenses result from or arise out of any act or omission as a result of which such Partner is adjudged to be in contravention of section 8.7.

2.16 *Other Activities of Limited Partners.* A Limited Partner may engage in, or hold an interest in, any other business, venture, investment or activity whether or not similar to or competitive with the business of the Partnership.

2.17 *Other Activities of General Partner and Managing General Partner.* Neither the General Partner, in acting as General Partner hereunder, nor the Managing General Partner, in acting as Managing General Partner hereunder, shall be required to devote its efforts or that of any of its officers or employees

exclusively to or for the benefit of the Partnership and each may acquire, engage in or hold an interest (either alone or with others) in such other businesses, ventures, investments and activities as it considers appropriate whether or not similar to or competitive with the business of the Partnership and neither the Partnership nor any Partner shall have any right by virtue of this Agreement or the partnership relation created hereby in or to such other businesses, ventures, investments or activities or to the income, proceeds or profits derived therefrom, and the pursuit of such other business, ventures, investments or activities, even if competitive with the business of the Partnership, shall not be wrongful or improper. Neither the General Partner nor the Managing General Partner nor any affiliated entity shall be required to offer or make available to the Partnership any real property or other business or investment opportunity which the General Partner or the Managing General Partner or such affiliated entity may determine to acquire or engage in for their respective accounts.

2.18 *Compliance with Laws.* Each Limited Partner on request by the Managing General Partner, shall immediately execute such certificates and other instruments necessary to comply with any law or regulation of any jurisdiction in Canada for the continuation, good standing and business of the Partnership.

2.19 *General Partner or Managing General Partner May Hold Units.* The General Partner or the Managing General Partner may subscribe for and acquire Units or purchase Units by private contract or in the market and shall be entered on the Register as a Limited Partner and be shown on the Certificate as a Limited Partner in respect of the number and class of Units held by the General Partner or the Managing General Partner from time to time.

2.20 *General Partner or Managing General Partner as a Limited Partner.* If the General Partner or the Managing General Partner is shown on the Certificate as a Limited Partner, the General Partner or the Managing General Partner, as the case may be, will be entitled to all of the rights of a Limited Partner under this Agreement except as provided in this Agreement and has the same rights and powers and is subject to the same restrictions as a general partner except that in respect of its contribution as a Limited Partner, it has the right against the other Partners that it would have had if it were not also a general partner.

## ARTICLE 3

### UNITS

3.1 *Number of Units.* The interest in the Partnership of the Partners other than the General Partner or the Managing General Partner, as the case may be, shall be divided into and represented by 2221 Units divided into 1421 Class A Limited Partnership Units, 750 Class B Limited Partnership Units and 50 Class C Limited Partnership Units and such additional Limited Partnership Units of such class or classes as may be offered for sale pursuant to section 3.12.

3.2 *Nature of Units.* Except as expressly provided in this Agreement with respect to the Units of a particular class, a Partner holding a Unit shall have the same rights and obligations as each other Partner holding a Unit, including:

- (1) the right to one vote for each Unit held by such Partner (except as otherwise expressly provided herein);
- (2) the right to allocations of Distributable Net Income, Net Loss, Taxable Income, Tax Loss, Gain and Loss;
- (3) the right to share in distributions of Distributable Cash and Refinancing Proceeds and Sale Proceeds; and
- (4) the obligation to contribute to the Partnership.

No Partner holding any Unit shall have any preference, priority or right in any circumstance, except as expressly provided in this Agreement with respect to the Units of a particular class, over any Partner holding any other Unit in respect of the Units held by each (other than arising out of or resulting from the number of Units held by such Partner).

3.3 *Class A Units.* A Partner holding a Class A Unit shall:

(1) be entitled to one vote for each Class A Unit held by such Partner (except as otherwise expressly provided herein);

(2) be entitled to the allocations of Distributable Net Income, Net Loss, Taxable Income, Tax Loss, Gain and Loss and to the share of distributions of Distributable Cash and Refinancing Proceeds and Sale Proceeds in respect of each Class A Unit held by such Partner as is set forth in this Agreement; and

(3) contribute \$125,000 to the Partnership in respect of each Class A Unit held by such Partner.

No Partner holding any Class A Unit shall have any preference, priority or right in any circumstance over any Partner holding any other Class A Unit in respect of the Class A Units held by each (other than arising out of or resulting from the number of Class A Units held by such Partner).

3.4 *Class B Units.* A Partner holding a Class B Unit shall:

(1) be entitled to one vote for each Class B Unit held by such Partner (except as otherwise expressly provided herein);

(2) be entitled to the allocations of Distributable Net Income, Net Loss, Taxable Income, Tax Loss, Gain and Loss and to the share of distributions of Distributable Cash and Refinancing Proceeds and Sale Proceeds in respect of each Class B Unit held by such Partner as is set forth in this Agreement; and

(3) be obligated to contribute to the Partnership as set forth in this Agreement.

No Partner holding any Class B Unit shall have any preference, priority or right in any circumstance over any Partner holding any other Class B Unit in respect of the Class B Units held by each (other than arising out of or resulting from the number of Class B Units held by such Partner).

3.5 *Class C Units.* A Partner holding a Class C Unit shall:

(1) be entitled to one vote for each Class C Unit held by such Partner (except as otherwise expressly provided herein);

(2) be entitled to the allocations of Distributable Net Income, Net Loss, Taxable Income, Tax Loss, Gain and Loss and to the share of distributions of Distributable Cash and Refinancing Proceeds and Sale Proceeds in respect of each Class C Unit held by such Partner as is set forth in this Agreement; and

(3) be obligated to contribute to the Partnership as set forth in this Agreement.

No Partner holding any Class C Unit shall have any preference, priority or right in any circumstance over any Partner holding any other Class C Unit in respect of the Class C Units held by each (other than arising out of or resulting from the number of Class C Units held by such Partner).

3.6 *Allocation to Units.* Subject to section 6.15, where any amount is, pursuant to any provision of this Agreement, to be:

(1) allocated, distributed or paid to or contributed at any time by Partners holding Units without regard to Units of any class, such amount shall be allocated, distributed or paid to or contributed by or among the Partners holding Units of all classes at such time in accordance with the number of Units of all classes held by each at the time of such allocation, distribution, payment or contribution, as the case may be, equally in respect of each such Unit; and

(2) allocated, distributed or paid to or contributed at any time by Partners holding Units of a particular class, as such, such amount shall be allocated, distributed or paid to or contributed by or among Partners holding Units of such class at such time in accordance with the number of Units of such class held by each at the time of such allocation, distribution, payment or contribution, as the case may be, equally in respect of each Unit of such class, but not to or by Partners holding Units of any other class, as such,

without regard to the Capital or Current Account of any Partner or the number of days during which a Partner held such Unit, or Unit of such class, prior to such time.

3.7 *Offering of Units.* Subject to section 3.10 the General Partner may raise capital for the Partnership by a public or private offering of Units of any class and may determine the terms and conditions of any such offering and may do all things in that regard including preparing and filing such



prospectus, offering memorandums and other such documents, paying the expenses of issue and entering into agreements with any Person providing for a commission or fee and all things done by the General Partner in that regard prior to the execution of this Agreement are hereby ratified and confirmed.

3.8 *Subscription Form.* A Person may subscribe for Units by delivering to the General Partner or to such other Person or Persons at such address as the General Partner may prescribe a subscription form and power of attorney in the form attached hereto as Schedule "A" or in such other form as may be prescribed by the General Partner (either in respect of such Person or otherwise), completed and executed in a manner acceptable to the General Partner, and such other instruments, including powers of attorney, as the General Partner may request.

3.9 *Subscription for Units.* No subscription may be made or shall be accepted for a fraction of a Unit. The General Partner shall have the right, in its discretion, to refuse to accept any subscription for Units. If, for any reason, a subscription for Units is not accepted or such subscription is accepted but the subscriber is not entered on the Certificate as a Limited Partner, the General Partner shall cause the Partnership to refund to the subscriber the Subscription Price for such Units paid by such subscriber. The General Partner will be deemed to have accepted a subscription for Units when a Unit Certificate in the name of the subscriber (or, in the case of a syndicate, as provided in section 3.28) representing the number and class of Units for which such subscriber has subscribed (or, in the case of a syndicate, as provided in section 3.28) is deposited in the mail for forwarding to such subscriber (or, in the case of a syndicate, as provided in section 3.28). Upon the acceptance of such subscription by the General Partner, the Managing General Partner will amend the Certificate by showing the name of the subscriber (or, in the case of a syndicate, as provided in section 3.28) as a Limited Partner and the number of Units (or Units of such class) held by such subscriber (or, in the case of a syndicate, as provided in section 3.28) as a Limited Partner and make such filings and recordings as are required by law, and such subscriber (or, in the case of a syndicate, as provided in section 3.28) shall thereupon become a Limited Partner.

3.10 *Offering of Class A Units.* The General Partner is authorized to offer 1420 Class A Units for sale and the General Partner may accept subscriptions for 1420 Class A Units if:

(1) each Person who has subscribed for a Class A Unit;

(a) has subscribed for not less than four Class A Units;

(b) has:

(i) deposited with the Custodian cash or a certified cheque in the amount of the Subscription Price in respect of the Class A Units subscribed for by such Person;

(ii) deposited with the Custodian cash or a certified cheque in the amount of 25% of the Subscription Price in respect of the Class A Units subscribed for by such Person and deposited with the Custodian a clean, irrevocable letter of credit, issued by a Canadian chartered bank, in the form set out in Schedule "A" hereto or in such other form as is acceptable to the General Partner, in respect of the payment of the balance of such Subscription Price; or

(iii) deposited with the Custodian a clean irrevocable letter of credit, issued by a Canadian chartered bank, in the form set out in Schedule "A" hereto or in such other form as is acceptable to the General Partner, in respect of the payment of such Subscription Price; and

(2) immediately after the acceptance of all such subscriptions and the admission of all such Persons (or, in the case of a syndicate, as provided in section 3.28) to the Partnership as additional Limited Partners, pursuant to section 3.11, Partners holding Class A Units, hold, in the aggregate, 1,421 Class A Units.

3.11 *Additional Limited Partners.* The General Partner is authorized, subject to the receipt of the subscription forms referred to in section 3.8 and subject to section 3.10 in respect of the Class A Units and section 3.12 in respect of "additional units" (as referred to therein), to admit, one or more Persons (the "additional Limited Partners") to the Partnership as Limited Partners (or, in the case of the General Partner or Managing General Partner, as a Limited Partner) in respect of the Units subscribed for by each (or, in the case of a syndicate, as provided in section 3.28) and, subject as aforesaid, the Partners hereby

consent to the admission of, and will admit, the additional Limited Partners to the Partnership, without further act of the Partners (other than the filing of an amendment to the Certificate upon the admission of such additional Limited Partners). The General Partner will amend the Certificate by showing the name of each additional Limited Partner and make such filings and recordings as are required by law.

**3.12 *Additional Units.*** Subject to sections 3.13 and 7.3, the General Partner may at any time and from time to time, offer Units for sale in addition to the 1421 Class A Units, 750 Class B Units and 50 Class C Units referred to herein (such Units in addition thereto are herein referred to as the “additional Units”) which additional Units, may be additional Class A Units, Class B Units or Units of a different class (other than Class C Units), and, if deemed advisable by the General Partner, the Partners holding such additional Units may be entitled to preferences, priorities or rights over Partners holding Class A Units, or over Partners holding Class B Units or over Partners holding Class C Units or any one or more of the Partners holding Units of a class in the allocation of Distributable Net Income, Net Loss, Taxable Income, Tax Loss, Gain and Loss or in the share of distributions of Distributable Cash or Refinancing Proceeds or Sale Proceeds.

**3.13 *Offering Additional Units.*** The General Partner is authorized to offer additional Units for sale and the General Partner may accept subscriptions in respect of such additional Units if:

(1) assignable subscription warrants in bearer form in respect of such additional Units have first been offered to the Partners who are, at such time, holders of Units, rateably according to the number of Units held by each, in accordance with section 7.3;

(2) the Subscription Price in respect of each such additional Unit has been deposited with the Custodian or payment thereof is represented by a clean, irrevocable letter of credit, in form acceptable to the Managing General Partner, issued by a Canadian chartered bank and deposited with the Custodian;

(3) the Subscription Price to be paid by each additional Limited Partner for each additional Unit subscribed for by such additional Limited Partner is not less than \$125,000; and

(4) the aggregate Subscription Price in respect of all such additional Units does not exceed the aggregate amount of Development Costs paid or incurred or estimated by the Managing General Partner to be paid or incurred in respect of an Expansion in excess of the aggregate amount of money borrowed by the Partnership to pay for, or to refund borrowings used to pay for, such Development Costs which is not a Current Obligation.

**3.14 *Registered Holders of Units.*** Where a Unit is subscribed for or assigned to two or more Persons, or a Unit Certificate is in the name of two or more Persons:

(1) the names of all such Persons will be shown on the Unit Certificate in respect of such Unit and on the Certificate;

(2) such Unit (or the Unit represented by such Unit Certificate) shall be presumed, by the Partnership, to be held jointly;

(3) the Unit Certificate shall be delivered to the one of them whose name appears first on the Register in respect of the Unit;

(4) amounts distributed by the Partnership in respect of such Unit (or the Unit represented by such Unit Certificate) may be sent to the one of them whose name appears first on the Register in respect of the Unit, or to such one of them as the joint holders direct in writing, and anyone of such Persons may give effectual receipts for any monies or assets distributable in respect of such Unit; and

(5) any one of such Persons may vote at a meeting of Partners in respect of such Unit as if such Person were solely entitled thereto, but if more than one of such Persons is present or is represented at such meeting, that one of them whose name appears first on the Register in respect of the Unit, shall alone be entitled to vote in respect thereof.

**3.15 *Issue Expenses.*** The Partnership will pay all costs, commissions, disbursements, fees and expenses incurred in connection with any offering of Units.

3.16 *Unit Certificate.* Upon the acceptance by the General Partner of a subscription for a Unit and the delivery to the Custodian of (i) cash or a certified cheque in the amount of the Subscription Price for such Unit, (ii) cash or a certified cheque as to a part of such Subscription Price (in the case of the Class A Units, 25% thereof) and a clean irrevocable letter of credit (“the letter of credit”) in a form acceptable to the Managing General Partner (in the case of the Class A Units, in the form set out in Schedule “A” hereto) and in the amount of the balance thereof (in the case of the Class A Units, 75% thereof) or (iii) a letter of credit in the amount of such Subscription Price, the General Partner shall cause the subscriber (or, in the case of a syndicate, as provided in section 3.28) to be entered on the Register as a Limited Partner and on the Certificate as a Limited Partner and shall deliver or cause the Transfer Agent to deliver to such subscriber (or, in the case of a syndicate, as provided in section 3.28) a Unit Certificate specifying the number and class of Units held by such subscriber (or, in the case of a syndicate, as provided in section 3.28). The General Partner shall also be entered on the Register as a Limited Partner and on the Certificate as a Limited Partner in respect of 750 Class B Units and 50 Class C Units and shall be entitled to Unit Certificates specifying not more than such number of Class B Units and Class C Units. Every Unit Certificate shall be signed manually by at least one officer or director of the Managing General Partner or by or on behalf of the Transfer Agent and any additional signatures may be printed or otherwise mechanically reproduced and, in such event, a Unit Certificate is as valid as if signed manually, notwithstanding that any person whose signature is so printed or mechanically reproduced shall have ceased to hold the office that such officer or director is stated on the Unit Certificate to hold. A Unit Certificate may be delivered to a Partner entitled thereto by being mailed by prepaid post addressed to the address of such Partner at the address shown in the Register (or in the case of a Unit Certificate in the name of one or more Persons, to the one of them whose name first appears on the Unit Certificate), and neither the Partnership, the Managing General Partner nor the Transfer Agent shall be liable for any loss occasioned to any Partner by reason that the Unit Certificate so posted is lost or stolen from the mails or is not delivered.

3.17 *Registrar and Transfer Agent.* The Managing General Partner shall appoint the Transfer Agent to:

- (1) maintain a registered office for the Partnership;
- (2) maintain a register to record the names and addresses of the Partners, the number and class of Units held by each Partner and particulars of registration and assignment of Units;
- (3) maintain such other records as may be required by law;
- (4) make on behalf of the Partnership all recordings or filings with any governmental authority that are required to be made by the Partnership; and
- (5) keep at the office of the Transfer Agent:
  - (a) a list of the full name and last known resident address of each Partner, set forth in alphabetical order and indicating whether the Partner is the General Partner, the Managing General Partner or a Limited Partner and the number and class of Units held by each;
  - (b) a copy of the Certificate; and
  - (c) a copy of this Agreement.

The Managing General Partner shall be authorized to make such reasonable rules and regulations as, from time to time, it may consider necessary or desirable in connection with the services to be performed by the Transfer Agent or the Register, including the form and content of the Register, the times when the Register may be closed, the establishment of record dates and the documentation required to record assignments of Units and other matters.

3.18 *Assignment of Units by Partners.* A Unit may be assigned by a Person or his agent duly authorized in writing to any Person but such last mentioned Person shall not be recorded on the Register as the holder of a Unit nor, if such Person is not a Partner, be entitled to become a Partner unless such Person:

- (1) has signed a declaration in form acceptable to the Managing General Partner that such Person has the capacity and competency to enter into and be bound by this Agreement;



(2) has delivered to the Transfer Agent the signed declaration referred to in subsection (1) above and an assignment in the form attached hereto as Schedule "C", completed and executed in a manner acceptable to the Managing General Partner;

(3) has agreed in writing to be bound by the terms of this Agreement and to assume the obligations of a Limited Partner under this Agreement; and

(4) delivers or causes to be delivered to the Transfer Agent the Unit Certificate representing such Unit, duly endorsed for assignment;

and no such Person will become a Limited Partner until all filings and recordings required by law have been duly made. Where the assignee is entitled to become a Limited Partner pursuant to the provisions hereof (such assignee being sometimes referred to as a "substituted Limited Partner"), the Managing General Partner shall be authorized to admit the substituted Limited Partner to the Partnership as a Limited Partner and the Partners hereby consent to the admission of, and will admit, the assignee to the Partnership as a Limited Partner, without further act of the Partners (other than the filing of an amendment to the Certificate). The Managing General Partner will cause the Transfer Agent to record the assignment and will amend the Certificate by showing the name of the substituted Limited Partner as a Limited Partner and make such filings and cause to be made such recordings as are required by law.

**3.19 Form of Assignment.** An assignment of a Unit must be completed and be executed by the assignor (whose execution thereof must be guaranteed by a Canadian chartered bank, a trust company qualified to carry on business in any Province of Canada, a member of the Investment Dealers Association of Canada, a member of any recognized Canadian stock exchange or in some other manner acceptable to the Managing General Partner) and must be accompanied by the Unit Certificate representing such Unit.

**3.20 Additional Documentation on Assignment.** If the assignor of a Unit is a corporation or body corporate the assignor must, in addition to the requirements of sections 3.18 and 3.19, furnish to the Managing General Partner such documents, certificates, assurances and other instruments as the Managing General Partner may require to effect the assignment.

**3.21 Restrictions on Assignment of Fractions.** No assignment of a fraction of a Unit may be made or will be recognized or entered in the Register and no amendment to the Certificate will be made in respect of an assignment of a fraction of a Unit.

**3.22 Incapacity, Death, Insolvency or Bankruptcy.** Where a Person becomes entitled to a Unit on the incapacity, death, insolvency or bankruptcy of a Partner, or otherwise by operation of law, in addition to the requirements of sections 3.18, 3.19 and 3.20, such entitlement will not be recognized or entered in the Register and no amendment to the Certificate will be made in respect of such entitlement until such Person:

(1) has produced evidence satisfactory to the Transfer Agent of such entitlement;

(2) has agreed in writing to be bound by the terms of this Agreement and to assume the obligations of a Partner under this Agreement; and

(3) has delivered such other evidence, approvals and consents in respect of such entitlement as the Managing General Partner may require and as may be required by law or by this Agreement.

**3.23 Substituted Limited Partner.** If a Partner assigns all of the Units held by such Partner to a Person who becomes a substituted Limited Partner pursuant to section 3.18, such first mentioned Partner, if a Limited Partner, shall cease to be a Limited Partner and the Managing General Partner will amend the Certificate by deleting the name of such first mentioned Partner as a Limited Partner and make such filings and cause to be made such recordings as are required by law.

**3.24 Lost Unit Certificates.** Where a Person claims that a Unit Certificate representing a Unit recorded in the name of such Person has been defaced, lost, apparently destroyed or wrongly taken, the Managing General Partner shall cause a new Unit Certificate to be issued in substitution therefor if such Person files with the Transfer Agent a form of proof of loss and an indemnity bond in a form and in an amount satisfactory to indemnify and hold harmless each of the Transfer Agent, the General Partner and the Managing General Partner from any costs, damages, liabilities or expenses suffered or incurred as a result of or arising out of issuing such new Unit Certificate and satisfies such other requirements as may be imposed by the Transfer Agent.



3.25 *Inspection of Register.* Any holder of a Unit, or an agent of a holder of a Unit duly authorized in writing, shall have the right to inspect and take extracts from the Register during normal business hours and, upon payment of a reasonable fee to the Transfer Agent, to obtain a copy of the Register not more than 10 days after the date of the filing of his written request therefor with the Transfer Agent at its principal office in Calgary.

3.26 *Parties Not Bound to See to Trust or Equity.* Neither the Transfer Agent, the General Partner or the Managing General Partner shall be bound to see to the execution of any trust, whether express, implied or constructive, charge, pledge or equity to which any Unit or any interest therein is subject, nor to ascertain or inquire whether any sale or assignment of any Unit or any interest therein by any Partner is authorized by such trust, charge, pledge or equity, nor to recognize any Person as having any interest in any Unit except for the Person recorded on the Register, or shown on the Certificate, as the holder of such Unit. The receipt by the Person in whose name any Unit is recorded on the Register shall be a sufficient discharge for all monies, securities and other property payable, issuable or deliverable in respect of such Unit and from all liability therefor. The Partnership, the Managing General Partner and the Transfer Agent are entitled to treat the Person in whose name any Unit Certificate is registered as the absolute owner thereof.

3.27 *Pledge of a Unit.* A Partner may pledge or hypothecate a Unit held by such Partner as security for a loan to, or an obligation of, such Partner and, if such Unit is so pledged or hypothecated, the Managing General Partner will, upon receipt by the Managing General Partner of a written request from such Partner, deliver a written acknowledgement to the Person specified by such Partner in such written request acknowledging such pledge or hypothecation and confirming that, upon receipt by the Managing General Partner of a written order from such Person setting forth an address for service, all distributions by the Partnership in respect of such Unit following the receipt by the Managing General Partner of such written order will be made to such Person at the address set forth in such written order until such Person delivers a release of such acknowledgement to the Managing General Partner, and such Partner, by delivering such written request to the Managing General Partner hereby authorizes the Managing General Partner to make, and consents to the making of, all such distributions pursuant to such written order.

3.28 *Syndicates.* Where the Person who has subscribed for Units is a syndicate and the subscription form delivered by such Person in respect of such subscription indicates the name of each Person who is a member of such syndicate and the number of Units (which may not be a fraction of a Unit) to be held by each member of such syndicate then, upon the acceptance of such subscription:

- (1) each member of such syndicate shall be entitled:
  - (a) to be admitted to the Partnership as a Limited Partner;
  - (b) to be entered on the Register and on the Certificate as a Limited Partner in respect of the number of Units to be held by each as indicated on such subscription form; and
  - (c) to a Unit Certificate representing the number of Units to be held by each as indicated on such subscription form; and

(2) the provisions of (A) section 3.9 relating the acceptance of a subscriptions by the mailing of a Unit Certificate in the name of a subscriber, (B) section 3.9 relating to the amending of the Certificate, (C) section 3.9 relating to the subscriber becoming a Limited Partner, (D) sections 3.10 and 3.11 relating to the admission of a Person to the Partnership as an additional Limited Partner, (E) section 3.16 relating to the entry of a subscriber on the Register as a Limited Partner and on the Certificate as a Limited Partner and (F) any other provision of this Agreement that refers to or could be construed as referring to a subscription or a Limited Partner, shall be read and construed as including each such member of such syndicate in respect of the number of Units to be held by each such member as indicated on such subscription form.

## ARTICLE 4

### CAPITAL CONTRIBUTIONS AND ACCOUNTS

4.1 *Capital Accounts.* The Managing General Partner will establish an account on the books of the Partnership for each of the General Partner's Capital, the Managing General Partner's Capital and the Limited Partners' Capital and in respect of that part of the Limited Partners' Capital which is attributable to Partners holding Units of each class.

4.2 *Capital Allocated to Units.* The Limited Partners' Capital will be allocated among the Limited Partners in accordance with the number and class of Units held by each (with an equal portion thereof allocated in respect of each Unit of the same class).

4.3 *Contribution of Capital, Class A Units.* A Partner holding a Class A Unit shall contribute to the Limited Partners' Capital:

(1) in respect of the Class A Unit subscribed for by 999 Holdings Ltd., \$125,000 as and when demanded by the Managing General Partner; and

(2) in respect of each Class A Unit subscribed for by any Person other than 999 Holdings Ltd., \$125,000, payable:

(a) in cash or by certified cheque at the time of subscription; or

(b) if a clean, irrevocable letter of credit (the "letter of credit") issued by a Canadian chartered bank payable to the Custodian in the form included in Schedule "A" is deposited with the Custodian at the time the subscription form is delivered to the Custodian, (A) as to \$31,250 at the time such subscription form is so delivered and the balance in three equal instalments of \$31,250 each payable as set forth in the letter of credit; or (B) in four equal instalments of \$31,250 each payable as set forth in the letter of credit;

4.4 *Contribution of Property by Daon Development Corporation.* Daon Development Corporation shall transfer to the Partnership the lands included in the description of each Shopping Centre together with all plans, specifications, permits, contracts, engineering reports, appraisals, economic studies, commitments or letters of intent or other agreements or interest in leases and any other tangible and intangible property it may have affecting or relating to such lands (the "said property") for such cash payment by the Partnership as may be agreed upon and the issuance to Daon Development Corporation of 750 Class B Units and 50 Class C Units. The Partners agree that the value of the said property less the cash payment is \$100,000,000 and shall be allocated to the Limited Partners' Capital as a contribution to the Capital of the Partnership and shall be attributable equally to each of the Class B Units and Class C Units issued.

4.5 *Contribution of Capital—General Partner and Managing General Partner.* The General Partner and the Managing General Partner shall each contribute \$10,000 to the Capital of the Partnership as General Partner's Capital and Managing General Partner's Capital, respectively.

4.6 *Current Accounts.* The Managing General Partner will establish a Current Account on the books of the Partnership for each of the General Partner, the Managing General Partner and Partners holding Units (and, in the case of Partners holding Unit, for each class of Unit), to which Distributable Net Income, Gain and all other amounts to which Partners are entitled (other than Capital) are credited and to which Net Loss and Loss and all distributions to Partners (other than distributions of Capital including Sale Proceeds and Refinancing Proceeds) are charged.

4.7 *Allocation of Partners' Current Account.* The balance or deficit in the Current Account of Partners holding Units (or the Units of any class) will be allocated among Partners holding Units (or the Units of such class) according to the number of Units (or Units of such class) held by each (with an equal portion thereof allocated in respect of each Unit (or Unit of such class)).

4.8 *No Right to Withdraw Amounts.* No Partner will have any right to withdraw any amount or receive any distribution from the Partnership, except as expressly provided for in this Agreement and no distribution to any Partner shall be deemed a return or withdrawal of Capital but, if any court of competent jurisdiction at any time determines that, notwithstanding the provisions of this Agreement, a Limited Partner is obligated to pay any amount distributed to such Limited Partner to or for the account of the Partnership or to any creditor of the Partnership, then such obligation shall be the obligation of such Limited Partner and not of the General Partner or of the Managing General Partner.

4.9 *No Interest Payable on Accounts.* No Partner will have the right to receive interest on any credit balance of Capital or any credit balance in the Current Accounts except as expressly provided in this Agreement. No Partner shall be liable to pay interest to the Partnership on any Capital returned to such Partner or on any authorized negative balance of Capital or any authorized negative balance in the Current Accounts.

4.10 *Negative Balance of Capital or in Current Accounts.* The interest of a Partner in the Partnership will not terminate by reason of a negative balance of Capital or a negative balance in the Current Accounts.

## ARTICLE 5

### TERM OF PARTNERSHIP

5.1 *Commencement of Term.* The Partnership has been formed on July 21, 1980, being the date upon which the Certificate was filed and recorded in the Central Registry established under The Chattel Security Registries Act (Alberta).

5.2 *Term of Partnership.* The Partnership will commence on the date of its formation and continue until dissolved on December 31, 2090 unless sooner dissolved.

## ARTICLE 6

### DISTRIBUTIONS AND ALLOCATIONS

6.1 *Allocation of Distributable Net Income.* Distributable Net Income in respect of any period will, subject to section 6.15, be allocated as at the end of such period (except Distributable Net Income allocated pursuant to subsection (2) below which will be allocated as at the end of the fiscal period in which the Opening Date occurs) as follows:

- (1) in respect of any fiscal period ending before the Opening Date:
  - (a) as to 93.44% thereof, to Partners holding Class A Units;
  - (b) as to 6.46% thereof, to Partners holding Class B Units;
  - (c) as to 0.05% thereof, to the General Partner; and
  - (d) as to 0.05% thereof, to the Managing General Partner;
- (2) in respect of the period commencing on the first day of the fiscal period in which the Opening Date occurs and ending on the day immediately preceding the Opening Date:
  - (a) as to 93.44% thereof, to Partners holding Class A Units;
  - (b) as to 6.46% thereof, to Partners holding Class B Units;
  - (c) as to 0.05% thereof, to the General Partner; and
  - (d) as to 0.05% thereof, to the Managing General Partner;
- (3) in respect of the period commencing on the Opening Date and ending on the last day of the fiscal period in which the Opening Date occurs:
  - (a) firstly, to Partners holding Class A Units, the Prior Allocation in respect of such period;
  - (b) secondly, to Partners holding Class B Units and Class C Units, the Equivalent Prior Allocation in respect of such period; and
  - (c) thereafter, to the Partners, the balance thereof as follows:
    - (i) as to 99.9% thereof, to Partners holding Units;
    - (ii) as to 0.05% thereof, to the General Partner; and
    - (iii) as to 0.05% thereof, to the Managing General Partner;
- (4) in respect of any fiscal period ending after the fiscal period in which the Opening Date occurs and on or before December 31, 1996:
  - (a) firstly, to Partners holding Class A Units, the Prior Allocation in respect of such period;
  - (b) secondly, to Partners holding Class B Units and Class C Units, the Equivalent Prior Allocation in respect of such period; and
  - (c) thereafter, to the Partners, the balance thereof as follows:
    - (i) as to 99.9% thereof, to Partners holding Units;
    - (ii) as to 0.05% thereof, to the General Partner; and
    - (iii) as to 0.05% thereof, to the Managing General Partner; and

(5) in respect of any fiscal period ending after December 31, 1996:

- (a) as to 99.9% thereof, to Partners holding Units;
- (b) as to 0.05% thereof, to the General Partner; and
- (c) as to 0.05% thereof, to the Managing General Partner.

6.2 *Allocation of Net Loss.* Net Loss in respect of any period will, subject to section 6.15, be allocated as at the end of such period (except Net Loss allocated pursuant to subsection (2) below which will be allocated as at the end of the fiscal period in which the Opening Date occurs) as follows:

(1) in respect of any fiscal period ending before the Opening Date:

- (a) as to 93.44% thereof, to Partners holding Class A Units;
- (b) as to 6.46% thereof, to Partners holding Class B Units;
- (c) as to 0.05% thereof, to the General Partner; and
- (d) as to 0.05% thereof, to the Managing General Partner;

(2) in respect of the period commencing on the first day of the fiscal period in which the Opening Date occurs and ending on the day immediately preceding the Opening Date:

- (a) as to 93.44% thereof, to Partners holding Class A Units;
- (b) as to 6.46% thereof, to Partners holding Class B Units;
- (c) as to 0.05% thereof, to the General Partner; and
- (d) as to 0.05% thereof, to the Managing General Partner;

(3) in respect of the period commencing on the Opening Date and ending on the last day of the fiscal period in which the Opening Date occurs:

- (a) as to 99.9% thereof, to Partners holding Units;
- (b) as to 0.05% thereof, to the General Partner; and
- (c) as to 0.05% thereof, to the Managing General Partner; and

(4) in respect of any fiscal period ending after the fiscal period in which the Opening Date occurs:

- (a) as to 99.9% thereof, to Partners holding Units;
- (b) as to 0.05% thereof, to the General Partner; and
- (c) as to 0.05% thereof, to the Managing General Partner.

6.3 *Payment of Cash Flow Assurance.* The General Partner will pay to the Partnership on or before March 31 in each of the years 1982 to 1997, inclusive, for distribution to Partners holding Class A Units, the amount, if any, required to enable the Partnership to distribute to Partners holding Class A Units the Cash Flow Assurance in respect of the fiscal period ending the immediately preceding December 31 (and, on or before March 31, 1982, the Cash Flow Assurance in respect of the fiscal period ending December 31, 1980). The General Partner's obligation pursuant to this section 6.3 shall continue after the resignation of the General Partner, as such, or the assignment by the General Partner of its interest in the Partnership as the General Partner.

6.4 *Distribution of Distributable Cash in respect of the Fiscal Period ending December 31, 1980.* The Managing General Partner will, subject to section 6.15, on March 31, 1982 distribute Distributable Cash in respect of the fiscal period ending December 31, 1980 as follows:

(1) firstly, to Partners holding Class A Units the amount of the Cash Flow Assurance in respect of the fiscal period ending December 31, 1980; and

(2) secondly, to the Partners, the balance thereof as follows:

- (a) to Partners holding Class A Units, that part thereof that is equal to the amount, if any, by which (A) that part of Distributable Cash in respect of the fiscal period ending December 31, 1980 that is in the same proportion to the total amount of Distributable Cash in respect of such



period as the amount of Distributable Net Income in respect of such period allocated to Partners holding Class A Units is to the total amount of Distributable Net Income in respect of such period exceeds (B) the amount thereof distributed to Partners holding Class A Units pursuant to subsection (1) above;

(b) to Partners holding Class B Units, that part thereof that is in the same proportion to the total amount of Distributable Cash in respect of the fiscal period ending December 31, 1980 as the amount of Distributable Net Income in respect of such period allocated to Partners holding Class B Units is to the total amount of Distributable Net Income in respect of such period; and

(c) to the General Partner and the Managing General Partner, the balance thereof, equally.

The amount of Distributable Cash to be distributed on March 31, 1982 in respect of the fiscal period ending December 31, 1980 will be distributed among those Persons who were Partners on December 31, 1981.

*6.5 Distributions of Distributable Cash in respect of Fiscal Periods ending after December 31, 1980.* The Managing General Partner will, subject to section 6.15, on March 31, 1982 and on March 31 in each year thereafter distribute Distributable Cash in respect of the fiscal period ending the immediately preceding December 31 as follows:

(1) if the Opening Date does not occur on or before December 31, 1981, on March 31, 1982 and on March 31 in each year thereafter until March 31 in the year immediately following the year in which the Opening Date occurs (exclusive of March 31 in the year immediately following the year in which the Opening Date occurs):

(a) firstly, to Partners holding Class A Units, the amount of the Cash Flow Assurance in respect of the fiscal period ending the immediately preceding December 31; and

(b) secondly, to the Partners, the balance thereof as follows:

(i) to Partners holding Class A Units, that part thereof that is equal to the amount, if any, by which (A) that part of Distributable Cash in respect of the fiscal period ending the immediately preceding December 31 that is in the same proportion to the total amount of Distributable Cash in respect of such period as the amount of Distributable Net Income in respect of such period allocated to Partners holding Class A Units is to the total amount of Distributable Net Income in respect of such period exceeds (B) the amount thereof distributed to Partners holding Class A Units pursuant to subsection (a) above;

(ii) to Partners holding Class B Units, that part thereof that is in the same proportion to the total amount of Distributable Cash in respect of the fiscal period ending the immediately preceding December 31 as the amount of Distributable Net Income in respect of such period allocated to Partners holding Class B Units is to the total amount of Distributable Net Income in respect of such period; and

(iii) to the General Partner and the Managing General Partner, the balance thereof, equally;

(2) if the Opening Date occurs on or before December 31, 1981, on March 31, 1982 or, if the Opening Date does not occur on or before December 31, 1981, on March 31 in the year immediately following the year in which the Opening Date occurs:

(a) firstly, to Partners holding Class A Units, the amount of the Cash Flow Assurance in respect of the fiscal period ending the immediately preceding December 31;

(b) secondly, to the Partners, that part of Distributable Cash in respect of the fiscal period (herein called the "opening fiscal period") ending the immediately preceding December 31 that is equal to the amount, if any, by which the amount of Distributable Cash in respect of the opening fiscal period that is in respect of the period (herein called the "pre-opening period") commencing on the first day of the opening fiscal period and ending on the day immediately preceding the Opening Date exceeds the amount of Distributable Cash in respect of the opening fiscal period distributed to Partners holding Class A Units pursuant to subsection (a) above as follows:

(i) to Partners holding Class A Units, that part thereof that is equal to the amount, if any, by which (A) that part of Distributable Cash in respect of the pre-opening period that is in the same proportion to the total amount of Distributable Cash in respect of the pre-opening period as the amount of Distributable Net Income in respect of the pre-opening period allocated to Partners holding Class A Units is to the total amount of Distributable Net Income in respect of the pre-opening period exceeds (B) the amount of Distributable Cash in respect of the opening fiscal period distributed to Partners holding Class A Units pursuant to subsection (a) above;

(ii) to Partners holding Class B Units, that part thereof that is in the same proportion to the total amount of Distributable Cash in respect of the pre-opening period as the amount of Distributable Net Income in respect of the pre-opening period allocated to Partners holding Class B Units is to the total amount of Distributable Net Income in respect of the pre-opening period; and

(iii) to the General Partner and the Managing General Partner, the balance thereof, equally;

(c) thirdly, to Partners holding Class B Units, the amount, if any, by which the Equivalent Cash Flow in respect of the Class B Units in respect of the fiscal period ending the immediately preceding December 31 exceeds the amount of Distributable Cash in respect of such period distributed to Partners holding Class B Units pursuant to subsection (b) above; and

(d) thereafter, to the Partners, the balance thereof as follows:

- (i) as to 99.9% thereof, to Partners holding Units;
- (ii) as to 0.05% thereof, to the General Partner; and
- (iii) as to 0.05% thereof, to the Managing General Partner;

(3) on March 31 in each of the years beginning in the year immediately following the year immediately following the year in which the Opening Date occurs and ending in 1997, inclusive:

(a) firstly, to Partners holding Class A Units, the amount of the Cash Flow Assurance in respect of the fiscal period ending the immediately preceding December 31 plus the amount, if any, paid by the General Partner pursuant to section 6.16 in respect of such period;

(b) secondly, to Partners holding Class B Units and Class C Units, the amount of the Equivalent Cash Flow in respect of the Class B Units and the Class C Units in respect of the fiscal period ending the immediately preceding December 31; and

(c) thereafter, to the Partners, the balance thereof as follows:

- (i) as to 99.9% thereof, to Partners holding Units;
- (ii) as to 0.05% thereof, to the General Partner; and
- (iii) as to 0.05% thereof, to the Managing General Partner; and

(4) on March 31 in each year after 1997 as follows:

- (a) as to 99.9% thereof, to Partners holding Units;
- (b) as to 0.05% thereof, to the General Partner; and
- (c) as to 0.05% thereof, to the Managing General Partner.

The amount of Distributable Cash to be distributed on March 31 in any year will be distributed among those Persons who were Partners on the immediately preceding December 31.

**6.6 Repayment of General Partner's Loan Account.** The Managing General Partner may at any time distribute amounts to the General Partner in respect of the General Partner's Loan Account unless, at such time, the General Partner has not made the payments required pursuant to sections 6.3 and 6.16.

**6.7 Determination of Taxable Income or Tax Loss.** For the purpose of determining Taxable Income or Tax Loss in respect of any fiscal period, the Managing General Partner will claim capital cost allowances in respect of the Shopping Centres in an amount equal to the lesser of:

- (1) the maximum amount permitted by the Income Tax Act (Canada); and
- (2) an amount which will result in no Taxable Income from the Shopping Centres;

unless the Income Tax Act (Canada) permits the Partnership to create losses by claiming capital cost allowances in respect of the Shopping Centres which may be deducted by any taxpayer in computing his income for the purposes of the Income Tax Act (Canada), in which case the Managing General Partner will claim capital cost allowances in respect of the Shopping Centres to the maximum extent permitted.

*6.8 Allocation of Taxable Income.* Taxable Income (other than Taxable Income resulting from a Sale) in respect of any fiscal period (provided, for the purposes of this section, the periods referred to in subsections (2) and (3) below are deemed to be fiscal periods, except that no claim for capital cost allowances will be made in respect of the period referred to in subsection 2 below) will, subject to section 6.15, be allocated as at the end of such period (except Taxable Income allocated pursuant to subsection 2 below which will be allocated as of the end of the fiscal period in which the Opening Date occurs) as follows:

- (1) in respect of any fiscal period other than the fiscal period in which the Opening Date occurs:
  - (a) to Partners holding Class A Units, that part thereof that is in the same proportion to the total amount thereof as the amount of Distributable Net Income in respect of such period allocated to Partners holding Class A Units is to the total amount of Distributable Net Income in respect of such period;
  - (b) to Partners holding Class B Units and Class C Units, that part thereof that is in the same proportion to the total amount thereof as the amount of Distributable Net Income in respect of such period allocated to Partners holding Class B Units and Class C Units is to the total amount of Distributable Net Income in respect of such period; and
  - (c) to the General Partner and the Managing General Partner, the balance thereof, equally;
- (2) in respect of the period commencing on the first day of the fiscal period in which the Opening Date occurs and ending on the day immediately preceding the Opening Date:
  - (a) as to 93.44% thereof, to Partners holding Class A Units;
  - (b) as to 6.46% thereof, to Partners holding Class B Units;
  - (c) as to 0.05% thereof, to the General Partner, and
  - (d) as to 0.05% thereof, to the Managing General Partner; and
- (3) in respect of the period commencing on the Opening Date and ending on the last day of the fiscal period in which the Opening Date occurs:
  - (a) to Partners holding Class A Units and Partners holding Class B Units, respectively, the respective amounts thereof that would be allocated to such Partners, respectively, if such Taxable Income were allocated pursuant to subsection (1) above; and
  - (b) to the General Partner and Managing General Partner, the balance thereof, equally.

*6.9 Allocation of Tax Loss.* Tax Loss in respect of any fiscal period (provided, for the purposes of this section, the periods referred to in subsections (2) and (3) below are deemed to be fiscal periods, except that no claim for capital cost allowances will be made in respect of the period referred to in subsection (2) below) will, subject to section 6.15, be allocated as at the end of such period (except Tax Loss allocated pursuant to subsection (2) below which will be allocated as at the end of the fiscal period in which the Opening Date occurs) as follows:

- (1) in respect of any fiscal period ending before the Opening Date:
  - (a) as to 93.44% thereof, to Partners holding Class A Units;
  - (b) as to 6.46% thereof, to Partners holding Class B Units;

(c) as to 0.05% thereof, to the General Partner; and

(d) as to 0.05% thereof, to the Managing General Partner;

(2) in respect of the period commencing on the first day of the fiscal period in which the Opening Date occurs and ending on the day immediately preceding the Opening Date:

(a) as to 93.44% thereof, to Partners holding Class A Units;

(b) as to 6.46% thereof, to Partners holding Class B Units;

(c) as to 0.05% thereof, to the General Partner; and

(d) as to 0.05% thereof, to the Managing General Partner;

(3) in respect of the period commencing on the Opening Date and ending on the last day of the fiscal period in which the Opening Date occurs:

(a) as to 99.9% thereof, to Partners holding Units;

(b) as to 0.05% thereof, to the General Partner; and

(c) as to 0.05% thereof, to the Managing General Partner; and

(4) in respect of any fiscal period ending after the fiscal period in which the Opening Date occurs:

(a) as to 99.9% thereof, to Partners holding Units;

(b) as to 0.05% thereof, to the General Partner; and

(c) as to 0.05% thereof, to the Managing General Partner.

**6.10 Allocation of Gain.** Gain in respect of any Sale will, subject to section 6.15, be allocated, if such Gain results from a sale, as at the date on which the contract in respect of such sale is completed and, in any other case, as at the date on which the Sale Proceeds arising from such Sale are received by the Partnership as follows:

(1) if such Gain results from a sale of a Shopping Centre as an entirety, (in the case of Sunridge Mall, inclusive or exclusive of the Sunridge Mall Expansion Lands), and the contract in respect of such sale is completed after December 31, 1983 and on or before December 31, 1996 as follows:

(a) firstly, to Partners holding Class A Units, the following percentages of the Prior Sale Proceeds Allocation in respect of such Shopping Centre:

(i) if such contract is completed after December 31, 1983 and on or before December 31, 1991, 5.017% thereof; and

(ii) if such contract is completed after December 31, 1991 and on or before December 31, 1996, 75.029% thereof;

(b) secondly, to Partners holding Class B Units and Class C Units, the following percentages of the Equivalent Prior Sale Proceeds Allocation in respect of such Shopping Centre:

(i) if such contract is completed after December 31, 1983 and on or before December 31, 1991, 5.017% thereof; and

(ii) if such sale is completed after December 31, 1991 and on or before December 31, 1996, 75.029% thereof; and

(c) thereafter, to the Partners, the balance thereof as follows:

(i) as to 99.9% thereof, to Partners holding Units;

(ii) as to 0.05% thereof, to the General Partner; and

(iii) as to 0.05% thereof, to the Managing General Partner; and

(2) in any other case, to the Partners as follows:

(a) as to 99.9% thereof, to Partners holding Units;



- (b) as to 0.05% thereof, to the General Partner; and
- (c) as to 0.05% thereof, to the Managing General Partner.

6.11 *Distribution of Sale Proceeds.* The Managing General Partner will, subject to section 6.15, distribute Sale Proceeds arising from any Sale as follows:

(1) firstly, to Partners holding Class A Units, the amount, if any, to be paid by the General Partner (or any predecessor to any General Partner) to the Partnership pursuant to sections 6.3 and 6.16 in respect of all fiscal periods ending prior to the date upon which such Sale Proceeds are distributed that has not, on or prior to such date, been paid by the General Partner (or any predecessor to any General Partner) to the Partnership;

(2) secondly, if such Sale Proceeds arise from a sale of a Shopping Centre as an entirety (in the case of Sunridge Mall, inclusive or exclusive of the Sunridge Mall Expansion Lands) and the contract in respect of such sale is completed after December 31, 1983 and on or before December 31, 1996 as follows:

(a) firstly, to Partners holding Class A Units, the Prior Sale Proceeds Distribution in respect of such Shopping Centre on the date on which such Sale Proceeds are distributed;

(b) secondly, to Partners holding Class A Units, an amount equal to the percentage of the Prior Sale Proceeds Allocation as set forth in subsection 6.10(1)(a) in respect of such sale;

(c) thirdly, to Partners holding Class B Units and Class C Units, the Equivalent Prior Sale Proceeds Distribution in respect of such Shopping Centre on the date on which such Sale Proceeds are distributed; and

(d) fourthly, to Partners holding Class B Units and Class C Units, an amount equal to the amount of Gain, if any, allocated to Partners holding Class B Units and Class C Units pursuant to subsection 6.10(1)(b) in respect of such sale; and

(3) thereafter, to the Partners, the balance thereof as follows:

(a) as to 99.9% thereof, to Partners holding Units;

(b) as to 0.05% thereof, to the General Partner; and

(c) as to 0.05% thereof, to the Managing General Partner.

The amount of Sale Proceeds to be distributed on any date will be distributed among those Persons who were Partners, if such Sale Proceeds result from a sale, on the date on which the contract in respect of such sale is completed and, in any other case, on the date on which such Sale Proceeds are received by the Partnership and will be distributed to such Persons within a reasonable time thereafter.

6.12 *Allocation of Taxable Income on Sale of a Shopping Centre.* Taxable Income resulting from a Sale will, subject to section 6.15, be allocated as at the end of the fiscal period in which the Gain resulting from such Sale occurs as follows:

(1) firstly:

(a) in the case of a Sale in respect of Heritage Mall:

(i) firstly, that part of such Taxable Income (other than that part thereof that represents "recaptured depreciation or capital cost allowances") that results from that portion of the sale price or, if there is no sale price, the proceeds of disposition in respect of such Sale, up to an amount equal to the amount of Initial Development Costs in respect of such Shopping Centre as follows:

(A) as to 93.44% thereof, to Partners holding Class A Units;

(B) as to 6.46% thereof, to Partners holding Class B Units;

(C) as to 0.05% thereof, to the Managing General Partner; and

(D) as to 0.05% thereof, to the General Partner;

(ii) secondly, to Partners holding Class A Units, that part of such Taxable Income that is equal to the amount distributed to Partners holding Class A Units pursuant to subsection 6.11(2)(b);

(iii) thirdly, to Partners holding Class B Units and Class C Units, that part of such Taxable Income (other than that part thereof that represents "recaptured depreciation or capital costs allowances") up to \$40,929,000; and

(iv) fourthly, to Partners holding Class B Units and Class C Units, that part of such Taxable Income that is equal to the amount of Gain, if any, allocated to Partners holding Class B Units and Class C Units pursuant to subsection 6.10(1)(b);

(b) in the case of a Sale in respect of Bower Place Shopping Centre:

(i) firstly, that part of such Taxable Income (other than that part thereof that represents “recaptured depreciation or capital cost allowances”) that results from that portion of the sale price or, if there is no sale price, the proceeds of disposition in respect of such Sale, up to an amount equal to the amount of Initial Development Costs in respect of such Shopping Centre as follows:

- (A) as to 93.44% thereof, to Partners holding Class A Units;
- (B) as to 6.46% thereof, to Partners holding Class B Units;
- (C) as to 0.05% thereof, to the Managing General Partner; and
- (D) as to 0.05% thereof, to the General Partner;

(ii) secondly, to Partners holding Class A Units, that part of such Taxable Income that is equal to the amount distributed to Partners holding Class A Units pursuant to subsection 6.11(2)(b);

(iii) thirdly, to Partners holding Class B Units and Class C Units, that part of such Taxable Income (other than that part thereof that represents “recaptured depreciation or capital cost allowances”) up to \$18,667,000; and

(iv) fourthly, to Partners holding Class B Units and Class C Units, that part of such Taxable Income that is equal to the amount of Gain, if any, allocated to Partners holding Class B Units and Class C Units pursuant to subsection 6.10(1)(b);

(c) in a case of a Sale in respect of Sunridge Mall (inclusive of the Sunridge Mall Expansion Lands):

(i) firstly, that part of such Taxable Income (other than that part thereof that represents “recaptured depreciation or capital cost allowances”) that results from that portion of the sale price or, if there is no sale price, the proceeds of disposition in respect of such Sale, up to an amount equal to the amount of Initial Development Costs in respect of such Shopping Centre as follows:

- (A) as to 93.44% thereof, to Partners holding Class A Units;
- (B) as to 6.46% thereof, to Partners holding Class B Units;
- (C) as to 0.05% thereof, to the Managing General Partner; and
- (D) as to 0.05% thereof, to the General Partner;

(ii) secondly, to Partners holding Class A Units, that part of such Taxable Income that is equal to the amount distributed to Partners holding Class A Units pursuant to subsection 6.11(2)(b);

(iii) thirdly, to Partners holding Class B Units and Class C Units, that part of such Taxable Income (other than that part thereof that represents “recaptured depreciation or capital cost allowances”) up to \$40,404,000; and

(iv) fourthly, to Partners holding Class B Units and Class C Units, that part of such Taxable Income that is equal to the amount of Gain, if any, allocated to Partners holding Class B Units and Class C Units pursuant to subsection 6.10(1)(b);

(d) in the case of a Sale in respect of the Sunridge Mall Expansion Lands (exclusive of any other part of Sunridge Mall), to Partners holding Class C Units, that part of Taxable Income up to \$6,250,000; and

(e) in the case of a Sale in respect of Sunridge Mall (exclusive of the Sunridge Mall Expansion Lands):

(i) firstly, that part of such Taxable Income (other than that part thereof that represents “recaptured depreciation or capital cost allowances”) that results from that portion of the sale price or, if there is no sale price, the proceeds of disposition in respect of such Sale, up to an amount equal to the amount of Initial Development Costs in respect of such Shopping Centre as follows:

- (A) as to 93.44% thereof, to Partners holding Class A Units;
- (B) as to 6.46% thereof, to Partners holding Class B Units;
- (C) as to 0.05% thereof, to the Managing General Partner; and
- (D) as to 0.05% thereof, to the General Partner;

(ii) secondly, to Partners holding Class A Units, that part of such Taxable Income that is equal to the amount distributed to Partners holding Class A Units pursuant to subsection 6.11(2)(b);

(iii) thirdly, to Partners holding Class B Units and Class C Units that part of such Taxable Income (other than that part thereof that represents “recaptured depreciation or capital cost allowances”) up to \$34,154,000; and

(iv) fourthly, to Partners holding Class B Units and Class C Units, that part of such Taxable Income that is equal to the amount of Gain, if any, allocated to Partners holding Class B Units and Class C Units pursuant to subsection 6.10(1)(b); and

(2) thereafter, to the Partners, the balance thereof as follows:

- (a) as to 99.9% thereof, to Partners holding Units;
- (b) as to 0.05% thereof, to the General Partner; and
- (c) as to 0.05% thereof, to the Managing General Partner;

provided that the amounts of Taxable Income resulting from all Sales allocated pursuant to subsections (1)(a)(iii), (1)(b)(iii) and (1)(c)(iii) above, respectively, will not exceed the amounts set forth in such subsections, respectively, and the amount of Taxable Income resulting from all Sales allocated pursuant to subsections (1)(c)(iii), (1)(d) and (1)(e)(iii) above will not exceed \$40,404,000;

6.13 *Allocation of Loss.* Loss will, subject to Section 6.15, be allocated as at the end of the fiscal period in which such Loss occurs as follows:

(1) if such Loss results from a sale of a Shopping Centre as an entirety, (in the case of Sunridge Mall, inclusive of the Sunridge Mall Expansion Lands), a sale of the Sunridge Mall Expansion Lands or a sale of Sunridge Mall exclusive of the Sunridge Mall Expansion Lands as follows:

(a) firstly:

(i) in the case of a sale of Heritage Mall as an entirety:

(A) firstly, to Partners holding Class B Units and Class C Units, that part of such Loss up to \$41,390,000; and

(B) secondly, to Partners holding Class A Units, that part of such Loss up to \$73,518,988;

(ii) in the case of a sale of Bower Place Shopping Centre as an entirety:

(A) firstly, to Partners holding Class B Units and Class C Units, that part of such Loss up to \$22,590,000; and

(B) secondly, to Partners holding Class A Units, that part of such Loss up to \$40,125,488;

(iii) in the case of a sale of Sunridge Mall (inclusive of the Sunridge Mall Expansion Lands):

(A) firstly, to Partners holding Class B Units and Class C Units, that part of such Loss up to \$36,020,000; and

(B) secondly, to Partners holding Class A Units, that part of such Loss up to \$63,980,524;

(iv) in the case of a sale of the Sunridge Mall Expansion Lands (exclusive of any other part of Sunridge Mall) to Partners holding Class C Units; and

(v) in the case of a sale of Sunridge Mall (exclusive of the Sunridge Mall Expansion Lands):

(A) firstly, to Partners holding Class B Units and Class C Units, that part of such Loss up to \$29,770,000; and

(B) secondly, to Partners holding Class A Units, that part of such Loss up to \$63,980,524; and

(b) thereafter to the Partners, the balance thereof as follows:

(i) as to 99.9% thereof, to Partners holding Units;

(ii) as to 0.05% thereof, to the General Partner; and

(iii) as to 0.05% thereof, to the Managing General Partner; and

(2) in any other case, to the Partners as follows:

(a) as to 99.9% thereof, to Partners holding Units;

(b) as to 0.05% thereof, to the General Partner; and

(c) as to 0.05% thereof, to the Managing General Partner.

provided that the amount of Loss allocated pursuant to subsections (1)(a)(i)(A), (1)(a)(ii)(A), (1)(a)(iii)(A), (1)(a)(i)(B), (1)(a)(ii)(B) and (1)(i)(iii)(B) above, respectively, will not exceed the amounts set forth in such subsections, respectively, and the amount of Loss allocated pursuant to subsections (1)(a)(iii)(A), (1)(a)(iv) and (1)(a)(v)(A) and (1)(a)(iii)(B) and (1)(a)(v)(B) above, respectively, will not exceed \$36,020,000 and \$63,980,524 respectively.

6.14 *Distribution of Refinancing Proceeds.* The Managing General Partner will, subject to section 6.15, distribute Refinancing Proceeds arising from any Refinancing as follows:

(1) firstly, to Partners holding Class C Units, the amount, if any, by which (A) that part of 99.9% of the total amount of Refinancing Proceeds distributed pursuant to this section 6.14 prior to the date upon which such Refinancing Proceeds are distributed that is in the same proportion to 99.9% of such total amount as the number of Class C Units on the date upon which such Refinancing Proceeds are distributed is to the total number of Units on such date exceeds (B) the total amount of Refinancing Proceeds distributed pursuant to this section to Partners holding Class C Units prior to the date upon which such Refinancing Proceeds are distributed (provided that, for the purpose of this subsection, the number of Class C Units on such date will be deemed to be the number (which may, for this purpose, be or include a fraction of a whole number) obtained by multiplying by the Class C Unit Entitlement Factor on such date); and

(2) thereafter, to the Partners, the balance thereof as follows:

(a) as to 99.9% thereof, to Partners holding Units;

(b) as to 0.05% thereof, to the General Partner; and

(c) as to 0.05% thereof, to the Managing General Partner.

The amount of Refinancing Proceeds to be distributed on any date will be distributed among those Persons who were Partners on the date upon which such Refinancing Proceeds are received by the Partnership and will be distributed to such Persons within a reasonable time thereafter.



6.15 *Allocations and Distributions, Class C Units.* Where, pursuant to any provision hereof, any amount is to be allocated or distributed to Partners holding Units or Units of any class or classes, such Partners include Partners holding Class C Units and a reference is made to this section, the amount to be allocated or distributed, as the case may be, to Partners holding Class C Units will be the amount which would be allocated or distributed to Partners holding Class C Units if the number of Class C Units were the number (which may, for this purpose, be or include a fraction of a whole number) obtained by multiplying 50 by the Class C Unit Entitlement Factor, in the case of any allocation, at the date as at which such amount is to be allocated and, in the case of any distribution, at the date as at which Persons entitled to such amount are to be determined.

6.16 *Expansion Debt Service Payments.* The General Partner will pay to the Partnership, on or before March 31 in each year, in respect of the fiscal period ending the preceding December 31, for distribution to Partners holding Class A Units, the amount, if any, by which (A) the amount, if any, by which (i) the Cash Flow Assurance in respect of such period plus an amount equal to the amount of Expansion Debt Service in respect of such period allocated in respect of the Class A Units (which amount is herein called "CFA before Expansion Debt Service") is greater than (ii) Distributable Cash in respect of such period exceeds (B) the amount, if any, by which (i) the CFA before Expansion Debt Service is greater than (ii) Distributable Cash in respect of such period plus an amount equal to the amount, if any, by which (a.) Expansion Debt Service in respect of such period exceeds (b.) the amount (as determined by the Managing General Partner) by which the net cash receipts attributable to operations are increased as a result of the Expansion in respect of which such Expansion Debt Service is incurred; for the purpose of the foregoing, Expansion Debt Service in respect of any period to be allocated in respect of the Class A Units is that part of 99.9% of Expansion Debt Service in respect of such period that is in the same proportion to 99.9% of Expansion Debt Service in respect of such period as the number of Class A Units is to the total number of Units.

6.17 *Repayment of Excess Distribution.* If, as determined by the Managing General Partner, any Person has received a distribution which exceeds the entitlement of such Person, such Person shall forthwith repay to the Partnership the amount thereof upon receipt of notice to such effect from the Managing General Partner and, if such amount is not then repaid, the Managing General Partner may deduct such amount from any subsequent distribution to such Person.

## **ARTICLE 7**

### **SPECIAL PROVISIONS**

#### **Re: ADMISSION OF ADDITIONAL LIMITED PARTNERS**

#### **SALE OF CLASS B UNITS**

**and**

#### **CLASS C UNITS BY DAON**

**and**

#### **PURCHASE OF CLASS A UNITS BY DAON**

7.1 *Sale of Class B Units and Class C Units Held by Daon.* Daon Development Corporation ("Daon") as the Partner holding the Class B Units and Class C Units, shall not assign any Class B Unit or Class C Unit to any Person unless:

(1) such assignment is in connection with or ancillary to a merger or amalgamation of Daon resulting in the surviving or continuing corporation or body corporate being the holder of the Class B Units and the Class C Units then held by Daon;

(2) such assignment is to a wholly-owned subsidiary (being a corporation in which Daon holds all shares having the right to vote in all circumstances) of Daon, or to a corporation that is a wholly-owned subsidiary (mutatis mutandis) of such subsidiary and such assignment is not for the purpose of or with a view to permitting or facilitating a sale of the shares of such subsidiary;

(3) such assignment is as security for a loan made to, or obligation of, Daon; or

(4) such transfer takes place after the earlier of:

(a) the date the Shopping Centres are open to the public and Major Tenants are paying or are liable to pay rent; and

(b) October 31, 1983; and:

(i) immediately after such assignment Daon holds Class B Units and Class C Units equal in number to 25% of the total number of Units (of all classes) held by all Partners (including Daon);

(ii) the assignee has made an offer to Partners holding Class A Units pursuant to section 7.2 to purchase the Class A Units held by such Partners for not less than (A) the Net Adjusted Subscription Price per Class A Unit at the time of such offer and (B) the same consideration per Class A Unit as the consideration per Unit for which Daon proposes to assign a Class B Unit and/or a Class C Unit; or

(iii) the assignment of the Class B Units and/or the Class C Units is approved by Extraordinary Resolution.

**7.2 Terms of Offer.** Any offer made to the holders of the Class A Units pursuant to subsection 7.1(4)(ii) must conform, mutatis mutandis, to the form and content prescribed for takeover bids and takeover bid circulars by The Securities Act (Alberta); for the purposes of this section 7.2 and section 7.3 “company” shall mean the Partnership; “director” or “senior officer” shall mean a director or senior officer of the purchaser; “equity share” or “share” shall mean a Unit; and “shareholder” shall mean a Person who is a Partner.

**7.3 Issue of Additional Units—Rights Offering.** No additional Units shall be offered for sale pursuant to section 3.12 unless assignable subscription warrants in bearer form evidencing the right to subscribe for such additional Units are first given to the Partners who, at the record date established by the Managing General Partner for such purpose, hold Units giving such Partners the right to subscribe for such additional Units on the following terms:

(1) the number of such assignable subscription warrants to be given to all Partners will be that number that is the product obtained when the total number of additional Units to be offered is multiplied by 25;

(2) each such additional Unit may be subscribed for on the basis of 25 of such assignable subscription warrants for each such additional Unit;

(3) the number of such assignable subscription warrants to be given to each such Partner will be in the same proportion to the number of Units held by such Partner as at such record date as the total number of such assignable subscription warrants to be given to all such Partners is to the total number of Units held by all Partners at such record date;

(4) the assignable subscription warrants will permit the holder thereof to subscribe for the additional Units at any time up to but not after 5:00 p.m. (Vancouver time) on the date determined by the General Partner therefor that is not earlier than 14 nor more than 28 days after such assignable subscription warrants are first given and, if not exercised within such time will expire and become void; and

(5) the assignable subscription warrants will entitle the holder thereof to exercise the rights thereunder immediately upon receipt thereof by the holder thereof at any time before the expiration thereof by presentation of a properly signed subscription form together with a certificate or certificates representing the requisite number of assignable subscription warrants and payment as required by such subscription form;

and such other terms, not inconsistent with the foregoing as may be determined by the General Partner and as may be contained in such assignable subscription warrants or in a warrant indenture to be entered into between the General Partner and a company authorized to carry on the business of a trust company in the Province of British Columbia in respect of such assignable subscription warrants.

*7.4 Purchase of Class A Units by Daon.* If on September 30, 1983 the Opening Date has not occurred, then Daon will purchase each Class A Unit offered to Daon for purchase after September 30, 1983 and on or before 5:00 p.m. (Vancouver time) on October 31, 1983 at the Net Adjusted Subscription Price for such Class A Units, as set forth in Section 7.5.

*7.5 Tender Offer by Daon.* If by September 30, 1983 the Opening Date has not occurred, then Daon will (A) on October 1, 1983, forward to each Partner who is, on September 30, 1983, a holder of a Class A Unit, an invitation for the purchase by Daon of all Class A Units that are tendered to Daon after September 30, 1983 and on or before 5:00 p.m. (Vancouver time) on October 31, 1983 at a purchase price equal to the Net Adjusted Subscription Price of each Class A Unit at September 30, 1983; (B) accept all such tenders received by Daon prior to 5:00 p.m. (Vancouver time) on October 31, 1983; and (C) reasonably promptly after the receipt of such tender, give written notice to each Partner making such tender, that such a tender has been accepted by Daon and that the purchase price in respect of the Class A Units tendered thereby will be paid to such Partner upon the assignment of the Class A Units tendered by such Partner in the form required by this Agreement and the delivery of the Unit Certificate(s) therefor.

*7.6 Obligation to Purchase all Class A Units if 90% are Tendered.* If Partners, other than Daon, holding in the aggregate not less than nine-tenths (9/10ths) of the total number of Class A Units (other than those held by Daon) offer their Class A Units to Daon pursuant to section 7.4 or tender their Class A Units to Daon pursuant to section 7.5, then Daon is entitled and bound to acquire, and the Partners holding Class A Units are bound to sell, every Class A Unit for a purchase price equal to the Net Adjusted Subscription Price of each Class A Unit at September 30, 1983 and for such purpose:

(1) Daon shall deposit the purchase price for such Class A Units with any Canadian chartered bank or banks or with any trust company or companies to the credit of a special account or accounts in trust for the respective Partners holding such Class A Units, to be paid to them respectively upon surrender to such bank or banks or trust company or companies named for such purpose in the invitation for tender mailed to each Partner holding Class A Units pursuant to section 7.5 of the Unit Certificate or Unit Certificates representing such Class A Units;

(2) upon evidence of such deposit being made, the power given to the Managing General Partner to execute an assignment of a Class A Unit to Daon pursuant to this section may be exercised by the Managing General Partner who shall thereupon execute and deliver, as agent and true and lawful attorney for each such Partner, an assignment to Daon of the Class A Units held by such Partner as required by this Agreement, and issue to Daon a Unit Certificate representing such Class A Units; and

(3) the right of each such Partner thereafter shall be limited to receiving the proportion of the amount so deposited applicable to the respective Class A Units previously held by each such Partner (with interest as may be allowed by such bank or banks or trust company or trust companies upon such deposit) against presentation and surrender of the Unit Certificate or Unit Certificates representing such Class A Units.

## ARTICLE 8

### MANAGEMENT OF THE PARTNERSHIP

*8.1 Authority of Managing General Partner.* The Managing General Partner is authorized to carry on the business of the Partnership, with full power and authority to administer, manage, control and operate the business of the Partnership, and has all power and authority to do any act, take any proceeding, make any decision and execute and deliver any instrument, deed, agreement or document necessary for or incidental to carrying out the business of the Partnership for and on behalf of and in the name of the Partnership. No Person dealing with the Partnership will be required to inquire into the authority of the Managing General Partner to do any act, take any proceeding, make any decision or execute and deliver any instrument, deed, agreement or document for and on behalf of or in the name of the Partnership. If, and for so long as, either the General Partner or the Managing General Partner resigns as the General

Partner or the Managing General Partner, as the case may be, and no successor to the General Partner or the Managing General Partner, as the case may be, is admitted to the Partnership or either the General Partner or the Managing General Partner is not competent to exercise its powers hereunder or carry out its duties hereunder, or is otherwise incapable of exercising such powers or carrying out such duties, then the remaining or other of the General Partner or Managing General Partner, as the case may be, shall have all of the power and authority hereunder of the General Partner or Managing General Partner which has resigned or is incompetent or incapable, in each case as the case may be.

*8.2 Powers of Managing General Partner.* Without limiting the generality of section 8.1, the Managing General Partner has, subject only to the sections 8.3, 8.4 and 8.8, full power and authority for and on behalf of and in the name of the Partnership:

- (1) to acquire property, both real and personal of any description;
- (2) to enter into and to perform any agreement in connection with the business of the Partnership;
- (3) to cause the Shopping Centres to be constructed and developed and to expand or improve the same, and to tear down any improvements on any property of the Partnership and to rebuild or alter the same;
- (4) to lease or licence all or any part of a Shopping Centre at such time, in such manner and on such terms as the Managing General Partner shall consider appropriate;
- (5) to collect all rents and other payments payable by tenants or other occupants of a Shopping Centre;
- (6) to sell a Shopping Centre including by exchange or trade for other property;
- (7) to borrow money, from time to time, and without limit as to the amount, cost or terms of payment thereof (including payments which may be calculated by reference to revenue, income or cash flow of the Shopping Centres) and to draw, make, execute and issue promissory notes, evidences of indebtedness and other negotiable or non-negotiable instruments;
- (8) to secure the payment of money borrowed for the Partnership or other indebtedness or liability of the Partnership by a Mortgage of the Shopping Centres (or any of them) or other security;
- (9) to enter into the Property Management Agreement or other agreements for the management of a Shopping Centre;
- (10) to employ all persons necessary for the conduct of the business of the Partnership;
- (11) to retain such legal counsel, experts, advisors or consultants as the Managing General Partner shall consider appropriate and to rely upon the advice of such Persons;
- (12) to open and operate any bank account;
- (13) to pay Development Costs, Operating Expenses and capital expenditures or other expenses of the Partnership;
- (14) to commence or defend any action or proceeding in connection with the Partnership or a Shopping Centre;
- (15) to file returns required by any governmental or like authority; and
- (16) to do anything that is in furtherance of or is incidental to the business of the Partnership or that is provided for in this Agreement.

The Managing General Partner may contract with any Person (including the General Partner) to carry out any of the duties of the Managing General Partner hereunder and may delegate to such Person any power and authority of the Managing General Partner hereunder, but no such contract or delegation shall relieve the Managing General Partner of any of its obligations hereunder. In addition to the authority given to the General Partner pursuant to section 8.1, the General Partner is hereby authorized to exercise the power and authority given to the Managing General Partner pursuant to sections 8.1 and 8.2 with prior approval of the Managing General Partner, and if any such power or authority is so exercised by



the General Partner, and so approved by the Managing General Partner, no person dealing with the Partnership will be required to inquire into the authority of the General Partner to do any act, take any proceeding, make any decision or execute and deliver any instrument, deed, agreement or document for and on behalf of or in the name of the Partnership.

The Managing General Partner and the General Partner will use their best efforts, in the conduct of the affairs of the Partnership, to put all suppliers and other Persons with whom the Partnership does business on notice that the Limited Partners are not liable for the obligations of the Partnership, and to include in all contracts entered into by the Partnership a notice or other provision to the effect that the Partnership is a limited partnership (which may be satisfied by contracting in the name of the Partnership as a limited partnership formed under the laws of the Province of Alberta); but neither the General Partner nor the Managing General Partner shall be liable to any Limited Partner for any failure to give such notice to such suppliers or other Persons or for any such contract to fail to contain such notice or provision.

**8.3 Power of Managing General Partner to Finance.** The Managing General Partner may borrow money for the Partnership if:

(1) such borrowing is:

(a) Initial Interim Financing;

(b) to finance Development Costs incurred in respect of the Expansion of any Shopping Centre (or to refund such costs) plus, in the case of an Expansion of Sunridge Mall on the Sunridge Mall Expansion Lands, \$6,250,000; or

(c) a Current Obligation; or

(2) such borrowing is from a Specified Lending Institution and:

(a) immediately after such borrowing and the distribution of Refinancing Proceeds resulting from such borrowing, the Net Adjusted Subscription Price of each Class A Unit is less than \$37,500; or

(b) the average annual amount of interest and mandatory sinking fund, purchase fund or instalment retirements of principal payable in respect of such borrowing (plus the amount, if any, estimated by the Managing General Partner of revenue, income or net cash flow of the Shopping Centre to be paid in respect of such borrowing in the first 12 month period for which such amount is payable) does not exceed 14% of the largest principal amount of such borrowing at any time outstanding;

and such borrowing is approved by the General Partner and, in the case of such borrowing that is not Initial Interim Financing or a Current Obligation, the instrument evidencing such borrowing contains a provision to the effect that no Limited Partner has any personal liability thereunder and that the holder thereof has no recourse against the separate property of any Limited Partner.

**8.4 Power of Managing General Partner to Sell a Shopping Centre.** The Managing General Partner may enter into a contract for the sale of and sell a Shopping Centre if:

(1) the contract in respect of such sale is entered into:

(a) if no other Shopping Centre has been sold as an entirety, after December 31, 1983; or

(b) if any other Shopping Centre has been sold as an entirety, after December 31, 1985;  
and

(2) the Partners have been forwarded:

(a) a notice with respect to such sale including:

(i) a statement by the Managing General Partner that a bona fide offer to purchase such Shopping Centre has been received and setting forth the name of the offeror (if known to the Managing General Partner), the purchase price and, in summary form, the terms and conditions of such offer;

- (ii) information as to the probable income tax consequences to the Partners of such sale; and
- (iii) such other information as may be relevant; and
- (b) a copy of a Valuation of such Shopping Centre as at a date not earlier than 120 days prior to the date of the forwarding of such notice.

The Partners hereby consent to, and authorize, a sale of such Shopping Centre that satisfies the conditions of this section 8.4, without any further act of the Partners.

**8.5 *Title to Property.*** The General Partner will hold legal title to the Shopping Centres for the benefit of the Partnership and will execute and register a declaration of trust in favour of the Partnership and make such filings as the Partners may from time to time request by Ordinary Resolution but such request may not in any manner allow the Limited Partners to take part in the control of the business of the Partnership.

**8.6 *Interim Investments.*** The Managing General Partner may invest funds of the Partnership not immediately required for the business of the Partnership in short term liquid investments where there is an appropriate safety of principal, such as government obligations, certificates of deposit, short-term debt obligations and interest-bearing accounts.

**8.7 *Exercise of Powers and Discharge of Duties.*** The General Partner and the Managing General Partner will exercise their powers and discharge their duties under this Agreement honestly, in good faith and in the best interests of the Limited Partners and in connection therewith shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**8.8 *Transactions with Affiliated Entities.*** The Managing General Partner may, directly or indirectly, enter into agreements or carry out transactions with the General Partner, the Partnership or any affiliated entity (including purchasing, leasing or otherwise acquiring any property, or any interest therein or right thereto from the General Partner, the Managing General Partner or any affiliated entity, advancing money to the Partnership, selling, transferring, assigning, exchanging or leasing any property, or any interest therein or right thereto, to the Partnership, entering into the Property Management Agreement and entering into any agreement and carrying out any transaction in connection with the management or operation of the Shopping Centre) if:

(1) the agreement or transaction does not result in the Partnership guaranteeing or becoming liable for, directly or indirectly, any of the separate debts, obligations or liabilities of the General Partner, the Managing General Partner or any affiliated entity;

(2) the agreement or transaction is not for the purchase or acquisition of any shares or other securities of the General Partner, the Managing General Partner or any affiliated entity;

(3) the agreement or transaction does not provide the General Partner, the Managing General Partner or any affiliated entity, directly or indirectly, with any rebate, commission or similar payment; and

(4) in the case of an agreement for services to be rendered to, or services to be carried out for, the Partnership by the General Partner, the Managing General Partner or any affiliated entity, (A) such services are charged to the Partnership in a manner consistent with the manner in which and at a cost to the Partnership not greater than the cost which such services would be charged to the Partnership by arm's length parties providing similar services in the locality in which such services are being provided; and (B) such agreement contains a provision for termination, at the option of the Partnership on not more than three months' notice, without damages, bonus or penalty, if the Managing General Partner entering into such agreement ceases to be the Managing General Partner; provided that compliance with the provisions of subsections (1) to (3) and subdivision (A) of subsection (4) above, inclusive, will not be required in the case of the acquisition by the Partnership from the General Partner of the lands on which the Shopping Centres are to be constructed and the other property referred to in section 4.4, the entry into of the Property Management Agreement, any advance or payment by the General Partner to the Partnership that is to be credited to the General Partner's Loan Account or to be repaid therefrom and the entry into any agreement for, and the carrying out of, any services to be rendered or to be carried out by the General Partner or the Managing General Partner under this Agreement or by Daon Management Ltd. under the Property Management Agreement.

8.9 *Reimbursement of General Partner and Managing General Partner.* The General Partner and the Managing General Partner will be reimbursed by the Partnership for all costs actually incurred by the General Partner or the Managing General Partner, as the case may be, in the performance of their duties hereunder, including costs directly incurred for the benefit of the Partnership and such portion of the indirect and general administrative costs of the General Partner or the Managing General Partner, as the case may be, as are (A) reasonably and fairly allocated to the services rendered by the General Partner or the Managing General Partner, as the case may be, under this Agreement; and (B) do not exceed, in respect of any fiscal period, the amount of Allocated Operating Expenses incurred during such fiscal period.

8.10 *Commingling of Funds.* The funds and assets of the Partnership shall not be commingled with the funds or assets of any other Person (including those of the General Partner or the Managing General Partner).

8.11 *Conduct of Business—Limited Liability.* The General Partner and the Managing General Partner will, at all times, conduct the business and affairs of the Partnership in such a manner so that, so far as possible, the liability of a Limited Partner will be limited to the amount of the Subscription Price in respect of the Units held by such Limited Partner.

## ARTICLE 9

### BOOKS AND RECORDS AND FINANCIAL INFORMATION

9.1 *Books of Account.* The Managing General Partner will keep and maintain full, complete and accurate books of account and records of the business of the Partnership, but a Partner will not have access to any information of the Partnership which, in the opinion of the Managing General Partner, should be kept confidential in the interests of the Partnership; the Partnership books are to be kept at the principal office from time to time of the Managing General Partner provided that if such office is not in one of the cities of Edmonton or Calgary, Alberta or Vancouver, British Columbia, then such books shall be kept at an office in one of such cities.

9.2 *Appointment of Auditor.* The Managing General Partner will, on behalf of the Partnership, retain the Auditor to review and report to the Partners upon the financial statements of the Partnership for, and as at the end of, each fiscal period.

9.3 *Annual Report and Income Tax Information.* Within 90 days after the end of each fiscal period, the Managing General Partner will forward to each Person who was a Partner at the end of such fiscal period:

- (1) an annual report in respect of such fiscal period containing:
  - (a) financial statements of the Partnership as at the end of, and for, such fiscal period (prepared in accordance with the provisions of this Partnership Agreement), with comparative financial statements as at the end of, and for, the immediately preceding fiscal period containing:
    - (i) a balance sheet;
    - (ii) a statement of income;
    - (iii) a statement of changes in financial position; and
    - (iv) a statement of changes in Capital;
  - (b) a report of the Auditor on such financial statements;
  - (c) a report on allocations and distributions to Partners;
  - (d) in respect of each such fiscal period ending after December 31, 1981, a Valuation of each Shopping Centre as at a date not earlier than 12 months prior to the end of such fiscal period; and
  - (e) such other information as, in the opinion of the Managing General Partner, is material to the business of the Partnership; and

(2) information concerning the amount of Taxable Income or Tax Loss and credits and charges to Capital and to the Current Accounts allocated to such Person and such other information as is necessary to enable such Person to file income tax returns with respect to such Person's income from the Partnership in respect of such fiscal period.

**9.4 *Interim Financial Statements.*** The Managing General Partner will forward, within 60 days after the end of each of the first, second and third three month periods during each fiscal period, to each Person who was a Partner at the end of such three month period, an unaudited statement of operations and changes in financial position of the Partnership for such three month period.

**9.5 *Estimates.*** Between November 1 and November 15, 1981 the Managing General Partner will forward to each Partner holding a Class A Unit on November 1, 1981, a report setting forth the amount, estimated by the Managing General Partner, of the Tax Loss (if any), to be allocated to Partners holding Class A Units in respect of the fiscal period to end December 31, 1981.

**9.6 *Accounting Policies.*** The Managing General Partner is authorized to establish, from time to time, accounting policies with respect to the financial statements of the Partnership and to change, from time to time, any policy that has been so established so long as such policies are consistent with the provisions of this Agreement.

## **ARTICLE 10**

### **PARTNERSHIP MEETINGS**

**10.1 *Meetings of Partners.*** The Managing General Partner will call an annual general meeting of Partners in May in each year, commencing in 1982, for the purpose of reviewing the business of the Partnership. The Managing General Partner may at any time and shall, upon receipt of a written request from the General Partner or from Limited Partners holding, in the aggregate, not less than 15% of all Units (other than Class B Units and Class C Units held by Daon), call an extraordinary meeting of Partners. If the Managing General Partner fails to call a meeting of Partners within 30 days after receipt of such request from the General Partner or such Limited Partners, the General Partner or any Limited Partner, as the case may be, may call such meeting in accordance with the terms hereof. All meetings of Partners shall be held in Calgary, Alberta or Vancouver, British Columbia but no limited Partner shall have any right, by virtue of any such meeting, to take part in the control of the business of the Partnership.

**10.2 *Notice.*** At least 21 days' notice of any meeting of Partners (but not more than 60 days' notice) shall be given to Partners, and the Auditor stating the time and place of the meeting and, in reasonable detail (including the subject matter, but not necessarily the text, of any resolution proposed to be passed at such meeting), all matters which are to be the subject of a vote at such meeting.

**10.3 *Chairman.*** The President, or in his absence any Vice-President, of the Managing General Partner shall be the chairman of a meeting of Partners if present thereat, unless the Partners choose, by Ordinary Resolution, some other individual present at such meeting to be the chairman thereof. If neither the President, nor any Vice-President, of the Managing General Partner is present at such meeting, the Partners shall appoint a chairman for such meeting by Ordinary Resolution.

**10.4 *Quorum.*** Subject to section 10.5 a quorum at a meeting of Partners shall consist of not less than two persons present in person and holding or representing by proxy, in the aggregate, not less than 50% of all Units (other than Class B Units and Class C Units held by Daon).

**10.5 *Adjourned Meetings.*** If a quorum is not present at a meeting of Partners within 30 minutes after the time fixed for holding such meeting, such meeting shall be adjourned by the chairman of such meeting to a date not sooner than 10 and not later than 21 days after the date of such meeting determined by the Managing General Partner at a time and place determined by the Managing General Partner. At least seven days' notice of the adjourned meeting shall be given to Partners, and the Auditor and section 10.2 shall apply to such notice, mutatis mutandis. At the adjourned meeting the Partners present in person or represented by proxy shall form a quorum and may transact the business for which the meeting was originally convened notwithstanding that they may hold or represent by proxy, in the aggregate, less than 50% of all Units (other than Class B Units and Class C Units held by Daon).



10.6 *Voting Rights of Limited Partners.* Subject to section 10.7 each Partner shall be entitled to one vote for each Unit held by such Partner on any poll taken at a meeting of Partners.

10.7 *Voting Rights of General Partner, Managing General Partner and any Affiliated Entity.* The General Partner, as such, and the Managing General Partner, as such, will not be entitled to vote at any meeting of Partners. If the General Partner, the Managing General Partner or any affiliated entity is the holder of Units then the General Partner, the Managing General Partner or such affiliated entity will:

(1) not be entitled to any vote upon

(a) any Extraordinary Resolution to approve the assignment of any Class B Unit or Class C Unit by Daon; or

(b) any Ordinary Resolution to remove the Managing General Partner; and

(2) except as provided in subsection (1) above, be entitled to vote on any resolution; except the number of votes cast on such resolution by the General Partner, the Managing General Partner and any affiliated entity shall not exceed 20% of all the votes cast on such resolution.

10.8 *Corporations.* If a Partner is a corporation or body corporate, it may appoint under seal an officer, director or other authorized Person as its representative to attend, vote and act on its behalf at a meeting of Partners.

10.9 *Attendance of Others.* An officer or director of the General Partner or the Property Manager, counsel for the General Partner, the Managing General Partner or the Partnership, and representatives of the Auditor may attend and speak at any meeting of Partners.

10.10 *Voting.* Every question submitted to a meeting of Partners:

(1) which requires an Extraordinary Resolution shall be decided by a poll; and

(2) which does not require an Extraordinary Resolution shall be decided by Ordinary Resolution on a show of hands unless a poll is demanded, in which case a poll shall be taken.

The chairman of a meeting of Partners shall be entitled to vote in respect of Units held by him or represented by him by proxy but, in the case of an equality of votes, the chairman of the meeting shall not have a casting vote. On any vote at a meeting of Partners, a declaration by the chairman of the meeting concerning the result of the vote shall be conclusive.

10.11 *Poll.* At a meeting of Partners, a poll requested or required concerning:

(1) the election of a chairman or an adjournment shall be taken immediately on request; and

(2) any matter other than the election of a chairman or an adjournment shall be taken at such time as the chairman shall direct.

10.12 *Resolutions Binding.* Any Extraordinary Resolution or Ordinary Resolution passed in accordance with this Agreement shall be binding on all Partners and their respective heirs, executors, administrators, other legal representatives, successors and assigns, whether or not such Partner was present or represented by proxy at the meeting at which such resolution was passed and whether or not such Partner voted against such resolution.

10.13 *Appointment of Proxy and Voting.* A Partner may attend any meeting of Partners either personally or be represented thereat by proxy and votes at meetings of Partners may be cast personally or by proxy. The instrument appointing a proxy shall be in writing under the hand of the appointor or his agent duly authorized in writing, or, if the appointor is a corporation or body corporate, under its seal or by an officer or agent thereof duly authorized and such instrument shall cease to be valid one year after the date thereof. Any individual may be appointed a proxy, whether or not such individual is a Partner.

10.14 *Validity of Proxies.* An instrument appointing a proxy purporting to be executed by or on behalf of a Partner shall be valid unless challenged at the time of or prior to its exercise and the Person challenging such instrument shall have the burden of proving to the satisfaction of the chairman of the meeting of Partners at which such instrument is proposed to be used that such instrument is invalid and any decision of the chairman of the meeting in respect of the validity of such instrument shall be final.

10.15 *Revocation of Proxy.* A vote cast in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death, incapability, insolvency or bankruptcy of the Partner giving the proxy or the revocation of the proxy unless written notice of such death, incapacity, insolvency, bankruptcy or revocation shall have been received by the chairman of the meeting prior to the time such vote is cast.

10.16 *Form of Proxy.* An instrument of proxy, whether for a specified meeting of Partners or otherwise, shall as nearly as circumstances permit be in the following form:

"I, \_\_\_\_\_, of \_\_\_\_\_, in the Province of \_\_\_\_\_, being a Partner of Daon Shopping Centres, Alberta, hereby appoint \_\_\_\_\_ of \_\_\_\_\_, in the Province of \_\_\_\_\_, or failing him of \_\_\_\_\_, in the Province of \_\_\_\_\_, as my proxy to attend and vote for me and on my behalf at the meeting of Partners of Daon Shopping Centres, Alberta to be held on the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_ and any adjournment thereof. As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_".

10.17 *Solicitation of Proxies.* Except for any solicitation of proxies by a Limited Partner (other than the General Partner), no Person shall solicit proxies in respect of a meeting of Partners unless the Person making the solicitation, concurrently with or prior thereto, delivers or sends an information circular to each Partner whose proxy is solicited. "Solicit" and "solicitation" includes any request for a proxy whether or not to revoke a proxy, and the sending or delivery of a form of proxy or other communication to a Partner under circumstances reasonably intended or calculated to result in the procurement, withholding or revocation of a proxy but does not include the sending or delivery of a form of proxy to a Partner in response to an unsolicited request made by him or on his behalf. The information circular required hereunder shall conform, mutatis mutandis, to the form and content prescribed for information circulars by or pursuant to The Securities Act (Alberta); for such purposes: "management" shall mean the General Partner and the Managing General Partner; "corporation" shall mean the "Partnership; "director" or "senior officer" shall mean a director or senior officer of the General Partner and the Managing General Partner, respectively; "equity share" or "share" shall mean Unit; and "shareholder" shall mean a Person who is a holder of a Unit.

10.18 *Conduct of Meetings.* The rules and procedures for the conduct of a meeting of Partners not prescribed herein shall be determined by the meeting.

10.19 *Minutes.* The Managing General Partner will cause minutes of all proceedings and resolutions at each meeting of Partners, and of all consent resolutions of the Partners, to be made and entered in books to be kept for that purpose and such minutes, if signed by the chairman of the meeting or by the chairman of the next succeeding meeting, shall be conclusive of the matters stated in them and the meeting shall be deemed to have been duly convened and held and all proceedings and resolutions in them shall be deemed to have been duly passed and taken.

10.20 *Powers Exercisable by Extraordinary Resolution.* In addition to all other powers conferred upon them by this Agreement, the Partners may, by Extraordinary Resolution:

- (1) admit a new General Partner or a new Managing General Partner to the Partnership in anticipation of the bankruptcy, insolvency, dissolution, liquidation or winding up of the General Partner or the Managing General Partner, such admission to become effective, in the case of the General Partner, only upon the actual bankruptcy, insolvency, dissolution, liquidation or winding up of the General Partner;
- (2) waive any default on the part of the General Partner or the Managing General Partner on such terms as they may determine and release them from any claims in respect thereof;
- (3) continue the Partnership if the Partnership is terminated by operation of law;
- (4) agree to any compromise or arrangement by the Partnership with any creditor or creditors, or class or classes of creditors, or with the holders of any shares or securities of the General Partner;
- (5) require the Managing General Partner on behalf of the Partnership to enforce any obligation or covenant on the part of the General Partner or any Limited Partner;

- (6) subdivide the Class A Units;
- (7) subject to section 13.2, amend this Agreement;
- (8) approve an assignment of a Class B Unit or Class C Unit by Daon; and
- (9) amend, modify, alter or repeal any Extraordinary Resolution.

10.21 *Conditions to Action by Limited Partners.* The right of the Limited Partners to vote to amend this Agreement, to dissolve the Partnership or to remove the Managing General Partner and to admit a replacement therefor or to approve or initiate the taking of, or take, any other action at any meeting of Partners shall not come into existence or be effective in any manner unless and until, prior to the exercise of any such right or the taking of any such action, either (A) the Partnership has received an opinion of counsel that such right may be exercised or such action may be taken without subjecting the Limited Partners (other than those Limited Partners who have initiated such action, each of whom expressly acknowledges that the exercise of such right or the taking of such action may subject each such Limited Partner to liability as a general partner under the Partnership Act) to liability as general partners under the Partnership Act or (B) a court of competent jurisdiction has entered a judgment to the foregoing effect.

## ARTICLE 11

### CHANGE, RESIGNATION OR REMOVAL OF GENERAL PARTNER AND MANAGING GENERAL PARTNER

11.1 *Assignment of Interest of General Partner.* Neither the General Partner nor the Managing General Partner may sell, assign, transfer or otherwise dispose of its interest in the Partnership as General Partner or the Managing General Partner, as the case may be, except if such sale, assignment, transfer or disposition is in connection with and ancillary to a merger or amalgamation of the General Partner or the Managing General Partner, as the case may be, resulting in the surviving or continuing corporation or body corporate being the General Partner or the Managing General Partner, as the case may be.

11.2 *Resignation.* The General Partner or the Managing General Partner may not resign, as such, before October 31, 1983 but may resign, as such, thereafter on not less than 180 days' written notice thereof to Partners holding Units, and such resignation shall become effective upon the earlier of (A) 180 days after written notice thereof is given as aforesaid and (B) the admission of a new General Partner or Managing General Partner, as the case may be, to the Partnership by Ordinary Resolution (such earlier time being sometimes referred to herein as the "time of resignation"). The General Partner and the Managing General Partner shall not both resign if the effect of such resignation would be to dissolve the Partnership.

11.3 *Bankruptcy or Dissolution.* The General Partner or the Managing General Partner, by agreeing to be bound by this Agreement, shall be deemed to resign as the General Partner or the Managing General Partner in the event of the bankruptcy, insolvency, dissolution, liquidation or winding-up of the General Partner or the Managing General Partner (or the commencement of any act or proceeding in connection therewith which is not contested in good faith by the General Partner or the Managing General Partner) or the appointment of a trustee, receiver or receiver-manager of the affairs of the General Partner or the Managing General Partner, in each case as the case may be, but such resignation shall not be effective until, and the General Partner or the Managing General shall not cease to be the General Partner or the Managing General Manager until, the earlier of (A) the admission of a new General Partner or Managing General Partner to the Partnership by Ordinary Resolution or (B) 180 days after the occurrence of such event or appointment, in each case as the case may be (such earlier time being sometimes referred to herein as the "time of resignation").

11.4 *Removal of General Partner.* The General Partner may not be removed as the General Partner.

11.5 *Removal of Managing General Partner.* Subject to sections 10.21 and 11.6 the Managing General Partner may be removed as the Managing General Partner by Ordinary Resolution provided such resolution also admits a new Managing General Partner to the Partnership as a replacement the Managing General Partner being removed.



**11.6 Conditions to Removal of Managing General Partner.** The right of the Limited Partners to remove the Managing General Partner and to admit a replacement therefor shall not be effective in any manner unless and until the Managing General Partner has received a written notice from a Limited Partner stating that the Managing General Partner has failed to exercise its powers and carry out its duties as required by this Agreement or by law and describing, in general terms, the event giving rise to such failure; and

(1) the Managing General Partner has not, within 21 days of the receipt of such notice by the Managing General Partner, delivered a written notice to such Limited Partner denying the existence, or continuance, of the failure described in such notice; or

(2) a single arbitrator appointed by the Managing General Partner and such Limited Partner pursuant to the provisions of such statute governing arbitrations in general as is in force in the Province of Alberta at the particular time has determined that, by reason of the failure described in such notice, the Managing General Partner has failed to exercise its powers and carry out its duties as required by this Agreement or by law and, by reason thereof, it is reasonable to expect the Limited Partners to have a justifiable lack of confidence in the ability of the Managing General Partner to continue to exercise its powers and carry out its duties as such

For the purpose of this section 11.6, either the Managing General Partner, after delivering the notice pursuant to subsection (1) above, or the Limited Partner giving the written notice to the Managing General Partner after receipt of the notice pursuant to subsection (1) above may submit the matter to be determined pursuant to subsection (2) above for determination by a single arbitrator appointed pursuant to such statute governing arbitration in general as is in force in the province of Alberta at the particular time, except that the remuneration to be paid to such arbitrator and the cost of such arbitration shall be borne by such Limited Partner if the arbitrator does not make the determination referred to in subsection (2) above and otherwise by the Partnership.

**11.7 Payment of "Unrealized Appreciation" to Managing General Partner on its Removal or Resignation.** In the event of (A) the removal of the Managing General Partner under section 11.5 hereof at any time during the term hereof, or (B) the resignation of the Managing General Partner under section 11.2 hereof effective on a date subsequent to and the appointment of a new Managing General Partner within 180 days of the date of notice of such resignation, the Partnership shall, within 120 days of the date of such removal or resignation, pay to the removed or resigned Managing General Partner in cash an amount equal to 0.05% of the Appraised Value of the Shopping Centres in excess of the amount of debt of the Partnership outstanding as at the effective date of such removal or resignation (such amount being hereinafter called the "Termination Payment"), provided that, if the Partnership does not have sufficient cash to make such payment in full within such 120 day period, the Partnership shall then have the right to pay the removed or resigned Managing General Partner an amount equal to 50% of such Termination Payment within such 120 day period and the balance thereof together with interest thereon at the Prime Rate from time to time shall be paid by the Partnership to the removed or resigned Managing General Partner within 365 days of the date of such removal or resignation. The amount of the Termination Payment in excess of the Managing General Partner's Capital Account shall be treated as an expense of the Partnership for the fiscal period in which such Termination Payment is paid.

**11.8 Transfer of Management.** On the admission of a new Managing General Partner to the Partnership on the resignation or removal of the Managing General Partner, the resigning or retiring Managing General Partner will do all things and take all steps to transfer the administration, management, control and operation of the business of the Partnership and the books, records and accounts of the Partnership to the new Managing General Partner and will execute and deliver all deeds, certificates, declarations and other documents necessary or desirable to effect such transfer.

**11.9 Transfer of Title.** On the resignation of the General Partner and the admission of a new General Partner the resigning General Partner will transfer legal title to the Shopping Centres to such new General Partner (who will hold such legal title pursuant to section 8.5) and will execute and deliver all deeds, certificates, declarations and other documents necessary or desirable to effect such transfer.

**11.10 Release.** On the resignation of the General Partner or the Managing General Partner or on the removal of the Managing General Partner pursuant to section 11.5, the Partnership shall, subject to section



6.3 release and hold harmless the General Partner or the Managing General Partner resigning or being removed, as the case may be, from all costs, damages, liabilities or expenses suffered or incurred by the General Partner or the Managing General Partner as a result of or arising out of events, other than any wilful act or omission by the General Partner or the Managing General Partner, which occur in relation to the Partnership after such resignation or removal, in each case as the case may be.

11.11 *New General Partner or Managing General Partner.* A new General Partner or Managing General Partner (in place of a General Partner or a Managing General Partner who has resigned or, in the case of a Managing General Partner, has been removed) shall become a party to this Agreement by signing a counterpart hereto and shall agree to be bound by all of the provisions hereof and to assume the obligations, duties and liabilities of the General Partner or the Managing General Partner, as the case may be, hereunder as and from the date the new General Partner or Managing General Partner, as the case may be, becomes a party to this Agreement.

11.12 *Continuity of Partnership.* In the event of the bankruptcy, insolvency, dissolution, liquidation, winding-up or resignation of either the General Partner or the Managing General Partner, the business of the Partnership shall be continued by the remaining or other General Partner or Managing General Partner, as the case may be.

## ARTICLE 12

### DISSOLUTION OF PARTNERSHIP

12.1 *Events of Dissolution.* The Partnership shall be dissolved on the earliest of:

(1) the approval of such dissolution by the General Partner and the authorization of such dissolution by Extraordinary Resolution;

(2) the end of the fiscal period in which all of the property of the Partnership is sold;

(3) the effective date of the deemed resignation of both the General Partner and the Managing General Partner pursuant to section 11.3 unless, prior to the effective date of resignation of the last of the General Partner or the Managing General Partner so to resign, a new General Partner or Managing General Partner is admitted to the Partnership as set forth therein; and

(4) December 31, 2090.

12.2 *Events Not Causing Dissolution.* The Partnership shall not be dissolved or terminated by the resignation, removal, death, incompetence, bankruptcy, insolvency, dissolution, liquidation, winding-up or receivership of, or the admission, resignation or withdrawal of, the General Partner, the Managing General Partner or any Limited Partner, except in the case described in subsection 12.1(3).

12.3 *Receiver.* On dissolution of the Partnership the General Partner (or the Managing General Partner if the General Partner has resigned as the General Partner and no successor to the General Partner is admitted or the General Partner is not competent or is otherwise incapable of acting) shall act as the receiver (the “receiver”) of the Partnership. If General Partner and the Managing General Partner shall be unable or unwilling to act as the receiver, the Partner, by Ordinary Resolution, may appoint some appropriate Person to act as the receiver.

12.4 *Liquidation of Assets.* The receiver shall prepare or cause to be prepared a statement of financial position of the Partnership which shall be reported upon by the Auditor and a copy of which shall be forwarded to each Person who was shown on the Register as a Partner at the date of dissolution. The receiver shall wind up the affairs of the Partnership and all property of the Partnership shall be liquidated in an orderly manner. The receiver shall manage and operate the Shopping Centres (unless they have been sold) and shall have all powers and authority of the Managing General Partner under this Agreement. The receiver shall be paid its reasonable fees and disbursements incurred in carrying out its duties as such.

12.5 *Distribution of Proceeds of Liquidation.* The receiver shall distribute the net proceeds from liquidation of the Partnership (including Sale Proceeds) as follows:

(1) firstly, to pay the expenses of liquidation and the debts and liabilities of the Partnership to its creditors or to make due provision for payment thereof (including the assumption by a purchaser of such Shopping Centre of the balance secured by a Mortgage charging such Shopping Centre);

(2) secondly, to provide reserves the receiver considers reasonably necessary for any contingent or unforeseen liability or obligation of the Partnership which shall be paid to an escrow agent to be held for payment of liabilities or obligations of the Partnership; and

(3) thirdly, to the Partners in accordance with the provisions hereof relating to distribution of Sale Proceeds.

12.6 *Negative Balance in Current Account of General Partner and Managing General Partner.* Neither the Partnership nor any Limited Partner shall have a claim against the General Partner or the Managing General Partner with respect to any negative balance in their Current Accounts except to the extent the assets of the Partnership are insufficient to pay debts, liabilities and obligations of the Partnership pursuant to the provisions of subsection 12.5(1).

12.7 *Return of Capital.* Except as provided in this Agreement, no Partner shall have the right to demand or receive a return of Capital in form other than cash, but nothing herein shall prohibit a return of Capital in a form other than cash.

12.8 *Termination of Partnership.* The Partnership shall terminate when all of its assets have been sold and the net proceeds therefrom, after payment of or due provision for the payment of all debts, liabilities and obligations of the Partnership to creditors, have been distributed as provided in this Article 12.

## ARTICLE 13

### AMENDMENTS

13.1 *Change of Partners.* This Agreement may be amended by the Managing General Partner, without notice to or consent of any other Partners, to reflect the admission, resignation or withdrawal of any Partner, or the assignment by any Partner of the whole or any part of its interest in the Partnership, under or pursuant to the terms hereof or of the Partnership Act.

13.2 *Amendment with Approval of Limited Partners and General Partner.* This Agreement may be amended by the Managing General Partner if such amendment is authorized by Extraordinary Resolution and, in the case of any amendment that in any way adversely affects the rights of the General Partner, such amendment is approved by the General Partner; provided that such amendment (A) may not in any manner allow the Limited Partners to take part in the control of the business of the Partnership; or (B) may not affect the rights of Partners holding Units of any class unless such amendment is also approved by an Extraordinary Resolution of Partners holding Units of such class.

13.3 *Amendment by Managing General Partner.* The Managing General Partner may, without prior notice to or consent from any Partner, amend this Agreement:

(1) to add covenants, restrictions or provisions which, in the opinion of counsel for the Partnership, are for the protection of the Limited Partners;

(2) to reflect the issue of additional Units in accordance with section 3.12, including the special rights and restrictions, preferences or priorities to which Partners holding such additional Units are entitled; or

(3) to cure any ambiguity or to correct or supplement any provision contained herein which, in the opinion of counsel for the Partnership, may be defective or inconsistent with any other provision hereof if, in the opinion of such counsel, such amendment does not and shall not in any way adversely affect the rights of any Limited Partner;

but all Partners shall be notified of full details of any amendment to this Agreement under this section 13.3 within 30 days after the effective date of such amendment and, in the case of any amendment which adversely affects the rights of the General Partner, such amendment is approved by the General Partner.

## ARTICLE 14

### NOTICE

14.1 *Notices.* Any notice, communication, payment or demand required or permitted to be given or made hereunder shall be sufficiently given or made for all purposes if delivered personally to the party or to an officer of the party to whom the same is directed or if sent by ordinary first class mail within Canada,

postage prepaid, addressed as follows: if to the General Partner or the Managing General Partner, addressed to them at: 6th Floor, 999 West Hastings Street, Vancouver, British Columbia, attention: the Secretary; and if to a holder of any Unit, to the address of such holder as it appears on the Register. Any such notice that is sent by mail shall be deemed to have been received on the third business day after the date on which the same was deposited in a regularly maintained receptacle for the deposit of mail, addressed and sent as aforesaid. In the event of any disruption, strike or interruption in the Canadian postal service after mailing, and prior to receipt or deemed receipt, such notice shall be deemed to have been received on the third business day following full resumption of the Canadian postal service. Any holder of a Unit may change his address by giving written notice of such change to the Transfer Agent and the Managing General Partner or the General Partner may change its address by giving such notice thereof to the Transfer Agent. Accidental omission to give any notice or communication or to make any payment or demand required or permitted to be given or made hereunder to any holder of a Unit shall not affect the validity of such notice, payment, demand or communication.

## ARTICLE 15

### MISCELLANEOUS

15.1 *Strict Performance of Covenants.* The failure of any party to seek redress for a violation of, or to insist upon strict performance of, any provision hereof shall not prevent a subsequent act, which would have originally constituted a violation of such provision or any other provision hereof, from having the effect of an original violation of such provision or any other provision hereof.

15.2 *Severability.* Each provision of this Agreement is intended to be severable. If any provision hereof is illegal or invalid, such illegality or invalidity shall not affect the validity of the remainder hereof.

15.3 *Governing Law.* This Agreement and the application or interpretation hereof shall be governed exclusively by its terms and by the laws of the Province of Alberta and each Partner irrevocably attorns to the jurisdiction of the courts of the Province of Alberta.

15.4 *Limited Partner Not a General Partner.* If any provision of this Agreement has the effect of imposing upon any Limited Partner (other than the General Partner or the Managing General Partner) any of the liabilities or obligations of a general partner, such provision shall be of no force and effect.

15.5 *Counterparts.* This Agreement may be executed in any number of counterparts with the same effect as if all parties hereto had all signed the same document. This Agreement may also be adopted in any subscription form or similar instrument signed by a Limited Partner, with the same effect as if such Limited Partner had executed a counterpart of this Agreement. All counterparts and adopting instruments shall be construed together and shall constitute one and the same agreement.

15.6 *Time.* Time shall be of the essence hereof.

15.7 *Binding Effect.* This Agreement shall be binding upon and enure to the benefit of the parties hereto, their respective heirs, executors, administrators and other legal representatives and, to the extent permitted hereunder, their respective successors and assigns.

IN WITNESS WHEREOF this Agreement is executed as of the 30th day of October, 1980.

General Partner:

Managing General Partner:

Limited Partner:

DAON DEVELOPMENT  
CORPORATION

DAON PROPERTIES LTD.

999 HOLDINGS LTD.

by: (signed) "W. Levine"

Executive Vice President

by: (signed) "R. A. Schroeder"

Senior Vice President,  
Shopping Centers

by: (signed) "J. W. Poole"

President

by: (signed) "J. Findlay"

Secretary

by: (signed) "J. Findlay"

Secretary

by: (signed) "J. Findlay"

Secretary

**Schedule A: Daon Shopping Centres, Alberta; Limited Partnership Agreement**

**SUBSCRIPTION AGREEMENT  
FOR CLASS A UNITS IN  
DAON SHOPPING CENTRES, ALBERTA**

TO: Daon Shopping Centres, Alberta  
c/o National Trust Company, Limited  
510 Burrard Street,  
Vancouver, British Columbia

**Subscription**

The undersigned, by signing the Signature Page and Power of Attorney in the form attached hereto hereby tenders this subscription and subscribes for the purchase of the number of Class A Limited Partnership Units (the "Class A Units") set forth on such Signature Page and Power of Attorney in Daon Shopping Centres, Alberta, a limited partnership formed under the laws of the Province of Alberta, (the "Partnership") for the aggregate Subscription Price set forth on such Signature Page and Power of Attorney. A clean, irrevocable letter of credit (the "letter of credit") in the form set forth in this Subscription Agreement (or such other form as is acceptable to the General Partner of the Partnership) issued by a Canadian chartered bank payable to National Trust Company, Limited (the "Custodian") in respect of payment of the amount set forth on such Signature Page and Power of Attorney for such Class A Units at a Subscription Price of \$125,000 per Class A Unit, or cash or a certified cheque in such amount or in an amount equal to 25% thereof payable to National Trust Company, Limited and a letter of credit in respect of the balance thereof is delivered herewith. The undersigned understands that such letter of credit and/or such funds will be held by the Custodian until such time as subscriptions for 1,420 Class A Units have been received and will be returned to the undersigned at the address indicated below if this subscription is not accepted or if (i) by December 1, 1980 (or such other date, not later than December 21, 1980, to which such date may be extended by Daon Development Corporation by written notice delivered to the Custodian and mailed to the undersigned at the address shown on such Signature Page and Power of Attorney) 1,420 Class A Units offered by the Offering Memorandum (the "Offering Memorandum") dated November 10, 1980 are not subscribed for and letters of credit to be delivered and/or payments to be made at such time are not delivered or made.

The undersigned hereby acknowledges receipt of a copy of the Offering Memorandum, including the Amended and Restated Agreement of Limited Partnership (the "Partnership Agreement") of the Partnership included in the Offering Memorandum and hereby specifically accepts and adopts each and every provision of the Partnership Agreement, as from time to time amended and in effect, (including any amendment thereto that may be made pursuant to section 13.3 thereof prior to the acceptance of this subscription as if the undersigned were, at such time, a Limited Partner) and agrees to be bound thereby.

The undersigned acknowledges that participation in the Partnership is subject to the acceptance of this subscription by Daon Development Corporation, the General Partner of the Partnership, (the "General Partner") and to certain other conditions set forth in the Offering Memorandum and in the Partnership Agreement (the "Partnership Agreement") and the Agency Agreements referred to in the Offering Memorandum. The undersigned agrees that this subscription is given for valuable consideration and shall not be withdrawn or revoked by the undersigned. The acceptance of this subscription shall be effective upon the deposit of a Unit Certificate in the name of the undersigned, (or, if the undersigned is a syndicate, as set forth below) representing the number of Class A Units set forth on the Signature Page and Power of Attorney, in the mail, addressed to the undersigned at the address indicated on such Signature Page and Power of Attorney.

The undersigned represents that (a) if an individual, the undersigned has attained the age of majority and has the legal capacity and competence to execute the Signature Page and Power of Attorney attached hereto and to take all actions required pursuant thereto and (b) if a corporation or body corporate, the undersigned has the legal capacity and competence to execute the Signature Page and Power of Attorney attached hereto and to take all actions required pursuant thereto and all necessary approvals by directors, shareholders and members of the undersigned, or otherwise, have been given to authorize it to execute the Signature Page and Power of Attorney attached hereto and to take all actions required pursuant hereto;



## **Schedule A: Daon Shopping Centres, Alberta; Limited Partnership Agreement**

### **Representations-re Eligibility**

The undersigned, by executing the Signature Page and the Power of Attorney attached hereto, represents and warrants that:

(1) the undersigned is interested in purchasing the Class A Units as principal for the purpose of investment and not with a view to, or for sale in connection with, any distribution thereof and that the undersigned will comply with applicable securities legislation with respect to the purchase of any Class A Units; and

(2) if the Class A Units are being purchased by the undersigned in the Provinces of British Columbia, Alberta, Saskatchewan, or Manitoba,

(a) the undersigned, if an individual:

(i) is in a good position to evaluate the prospective investment in the Class A Units on the basis of the Offering Memorandum and other information that has been presented to him:

(A) by virtue of his investment experience; or

(B) by virtue of his consultation with or advice from a dealer authorized to sell the Class A Units, or from the legal, accounting or tax advisors, if any, named in the Signature Page and Power of Attorney executed by the undersigned, with respect to the prospective investment; and

(ii) had at December 31, 1979:

(A) a net worth of (i) if in the Provinces of British Columbia, Saskatchewan or Manitoba at least \$200,000 (ii) if in the Province of Alberta, at least \$250,000 exclusive of home, car and furnishings; or

(B) a net worth of at least \$50,000 (in the case of the Province of Alberta, exclusive of home, car and furnishings) and income for the 1979 taxation year some part of which would have been taxed in the 50% tax bracket but for the undersigned's use of tax shelter investments;

(b) the undersigned, if a corporation, is a corporation:

(i) whose officers and directors are in a good position to evaluate the prospective investment in the Class A Units on the basis of the Offering Memorandum and other information that has been presented to them:

(A) by virtue of their investment experience; or

(B) by virtue of their consultation with or advice from a dealer authorized to sell the Class A Units, or from the legal, accounting or tax advisors, if any, named in the Signature Page and Power of Attorney executed by the undersigned, with respect to the prospective investment; and

(ii) which has:

(A) had, for two consecutive years, pretax income in excess of \$50,000; or

(B) shareholders' equity (paid up capital plus retained earnings) in excess of \$50,000;

(c) the subscriber, if any syndicate or partnership, is a syndicate or partnership each of the members of which meet the eligibility requirements set forth in sub-paragraph (a) or (b) above; and

(d) no Class A Unit will be sold, assigned, charged or mortgaged unless the whole of such Class A Unit is so sold, assigned, charged or mortgaged.

### **Contractual Rights of Damages and Recission**

The General Partner, by and upon accepting this subscription, acknowledges and agrees for and on behalf of the Partnership that the undersigned has the same rights of withdrawal, recission or damages as is afforded to a person who purchases securities in respect of which a prospectus has been filed with the Superintendent of Brokers of British Columbia or with the Securities Commissions of the Provinces of Alberta, Saskatchewan, Manitoba and Ontario. These rights may be summarized as follows:

## **Schedule A: Daon Shopping Centres, Alberta; Limited Partnership Agreement**

If the subscription is made in British Columbia, the undersigned:

(a) has the right to rescind this subscription, while still the owner of the Class A Units, if a copy of the Offering Memorandum relating to such Class A Units together with financial statements and reports and summaries of reports, was not delivered to the undersigned or his agent prior to delivery to either of them of the written acceptance of this subscription. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell the Class A Units within 60 days of the date of delivery of the written acceptance of this subscription, but no action shall be commenced after the expiration of three months from the date of service of such notice; and

(b) has the right to rescind this subscription, while still the owner of the Class A Units, if the said Offering Memorandum or any amended offering memorandum contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right of rescission can be commenced by the undersigned after the expiration of 90 days from the later of the date on which the said Offering Memorandum or amended offering memorandum is received or is deemed to be received by the undersigned or his agent or the date of the subscription.

If the subscription is made in Alberta, Saskatchewan or Manitoba the undersigned:

(a) will not be bound by this subscription if the person or company from whom the undersigned purchased the Class A Units receives written or telegraphic notice evidencing the intention of the undersigned not to be bound not later than midnight on the second business day, after receipt or deemed receipt by the undersigned or his agent, of this Offering Memorandum or amended offering memorandum; and

(b) has the right to rescind this subscription, while still the owner of the Class A Units if the Offering Memorandum and any amended offering memorandum, as of the date it is received or deemed received contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement contained therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right of rescission can be commenced after the expiration of the later of 90 days from the date of receipt or deemed receipt of the Offering Memorandum or such amended offering memorandum by the undersigned or his agent or the date of this subscription.

If the subscription is made in Ontario, the undersigned has, in addition to any other right or remedy available at law to the undersigned, a right of action for damages or rescission against the Partnership if the Offering Memorandum or any amended offering memorandum contains a misrepresentation that was a misrepresentation at the time of subscription, but the undersigned shall have no right of action for damages or rescission if the undersigned subscribed for the Class A Units with knowledge of the misrepresentation. The right of action for damages or rescission is exercisable on notice given the Partnership not later than 90 days after the date on which payment was made for the Class A Units by the undersigned or after the time of subscription for the Class A Units by the undersigned where the subscription price was paid, in part, by delivery of a letter of credit.

### **Syndicates**

If the undersigned is a syndicate then this subscription is deemed to be made by each Person who is a member of such syndicate, severally and not jointly, as if each such Person had signed and delivered a separate Signature Page and Power of Attorney in respect of the number of Class A Units subscribed for by each such Person, as indicated on such Signature Page and Power of Attorney, and if the number of Class A Units subscribed for by each such Person is so indicated, then the acceptance of this subscription shall be effective upon the deposit of a Unit Certificate in the name of each such Person, representing the number of Class A Units for which each such Person has subscribed as indicated on such Signature Page and Power of Attorney, in the mail, addressed to each such Person at the address for such syndicate indicated on such Signature Page and Power of Attorney.

**Schedule A: Daon Shopping Centres, Alberta; Limited Partnership Agreement**

**FORM OF LETTER OF CREDIT**  
**(To accompany the Signature Page and Power of Attorney**  
**with respect to a subscription for Class A Units)**  
**(to be written on letterhead of issuing bank)**

Date  
No.

TO: National Trust Company, Limited  
510 Burrard Street,  
Vancouver, British Columbia  
(in trust for Daon Shopping Centres, Alberta)

We hereby establish for the credit of \_\_\_\_\_ in your favour an  
(insert name of subscriber)  
irrevocable letter of credit in the amount of \$ \_\_\_\_\_<sup>(1)</sup> which may be drawn upon as follows:

\*as to \$ \_\_\_\_\_<sup>(2)</sup>, at any time on or after December 22, 1980 and on or before December 28, 1980;

as to \$ \_\_\_\_\_<sup>(2)</sup>, at any time on or after April 30, 1981 and on or before May 6, 1981;

as to \$ \_\_\_\_\_<sup>(2)</sup>, at any time on or after October 30, 1981 and on or before November 6, 1981; and

as to \$ \_\_\_\_\_<sup>(2)</sup>, at any time on or after April 30, 1982 and on or before May 6, 1982.

Any drawing hereunder shall be by written demand to us at our address set forth herein accompanied by this letter of credit for endorsement by you and us to indicate the date of and, receipt by you of, such drawing.

This letter of credit will expire at 11:59 p.m. on May 6, 1982.

This letter of credit is subject to the Uniform Customs and Practice for Documentary Credits (1974 Revision).

Yours very truly,

(name of issuing bank)

Per: \_\_\_\_\_

**Endorsement of Drawings and Payments**

|                        |               | <b>Receipt<br/>of Payment by<br/>National Trust<br/>Company, Limited</b> |  |
|------------------------|---------------|--|--|
| <u>Date of Drawing</u> | <u>Amount</u> | <u>Acknowledgement<br/>of Bank</u>                                       |  |
| * _____, 1980          | \$ _____      | _____  | _____  |
| _____, 1981            | \$ _____      | _____  | _____  |
| _____, 1981            | \$ _____      | _____  | _____  |
| _____, 1982            | \$ _____      | _____  | _____  |
|                        |               | (Initials of Authorized Officer<br>of issuing bank)                      | (Initials of Authorized Officer of<br>National Trust Company, Limited) |

\* delete if 25% of Subscription Price for the Class A Units is tendered in cash or by a certified cheque.

<sup>(1)</sup> total amount or 75% of Subscription Price for Class A Units

<sup>(2)</sup> 25% of Subscription Price for Class A Units

**DAON SHOPPING CENTRES, ALBERTA  
SIGNATURE PAGE AND POWER OF ATTORNEY**

The undersigned, desiring to subscribe for and purchase the number of Class A Units of Daon Shopping Centres, Alberta (a limited partnership formed under the laws of the Province of Alberta) (the "Partnership") set forth below and to become a Limited Partner in the Partnership pursuant to section 3.11 of the Amended and Restated Agreement of Limited Partnership dated October 30, 1980 (the "Partnership Agreement") included in the Offering Memorandum dated November 10, 1980 in respect of the offering of 1,420 Class A Units in the Partnership, hereby agrees to all of the terms of the Partnership Agreement, as from time to time amended and in effect (including any amendment thereto that may be made pursuant to section 13.3 thereof prior to the acceptance of this subscription as if the undersigned were, at such time, a Limited Partner) and agrees to be bound thereby. The undersigned, by executing this Signature Page and Power of Attorney, hereby executes, adopts and agrees to all terms, conditions, representations and warranties of the Subscription Agreement included as Schedule "A" to the Partnership Agreement.

In consideration of the General Partner accepting this subscription and conditional thereon, the undersigned hereby irrevocably nominates, constitutes and appoints the Managing General Partner of the Partnership with full power of substitution, as his agent and true and lawful attorney to act on behalf of the undersigned with full power and authority in his name, place and stead to execute swear to, acknowledge, deliver and record or file as and where required:

- (1) the Partnership Agreement, any Certificate, any amendment to the Partnership Agreement or any Certificate and any other instrument required to qualify, continue and keep in good standing the Partnership as a limited partnership in or otherwise to comply with the laws of any jurisdiction in which the Partnership may carry on business or own or lease property in order to maintain the limited liability of the Limited Partners and to comply with the applicable laws of such jurisdiction (including such amendments to the Certificate as may be necessary to reflect the admission to the Partnership of additional limited partners (as contemplated by section 3.11) or substitute Limited Partners (as contemplated by section 3.18));
- (2) any instrument and any amendment to any Certificate necessary to reflect any amendment to the Partnership Agreement;
- (3) any instrument required in connection with the dissolution and termination of the Partnership;
- (4) any instrument required in connection with an assignment of a Class A Unit to Daon pursuant to section 7.6 of the Partnership Agreement; and
- (5) any instrument required in connection with any election that may be made under the Income Tax Act (Canada) or any analogous fiscal legislation.

The power of attorney granted hereby is irrevocable and is a power coupled with an interest and shall survive the disability of the undersigned or the assignment by the undersigned of the whole or any part of the interest of the undersigned in the Partnership and extends to the heirs, executors, administrators and other legal representatives and successors and assigns of the undersigned and shall survive the death or disability of the undersigned until notice of such death or disability is delivered to the Managing General Partner.

The undersigned agrees to be bound by any representation or action made or taken by the Managing General Partner pursuant to this power of attorney and hereby waives any and all defences which may be available to contest, negate or disaffirm the action of the Managing General Partner taken in good faith under this power of attorney.



**SUBSCRIPTION****Number of Class A Units****Subscriber****and Payment**

Number of Class A Units  
subscribed for:  
(minimum subscription  
four Class A Units)

\_\_\_\_\_ Class A  
Units (minimum  
of four)

\_\_\_\_\_  
(Name of Subscriber — Please Print or Type)  
(If a partnership or syndicate, see below)

Amount of subscription  
and payment:

Amount of subscription  
(\$125,000 per Class A Unit;  
minimum amount, \$500,000  
additional Class A Units,  
\$125,000 each):

\$ \_\_\_\_\_

\_\_\_\_\_  
(Address of Subscriber)

Payment:

by letter of credit  
in the amount of:  
from \_\_\_\_\_

\$ \_\_\_\_\_

\_\_\_\_\_  
(City, Province, Postal Code)

\_\_\_\_\_  
(Social Insurance Number if applicable)

(name of bank)

\_\_\_\_\_  
(branch)

by cash or certified  
cheque tendered herewith:  
Total

\$ \_\_\_\_\_  
\$ \_\_\_\_\_

**PARTNERSHIPS OR SYNDICATES**

If the subscriber is a partnership or a syndicate, list the names of all Persons who are members of such partnership or syndicate and, if desired, the number of Class A Units (which may not be a fraction of a Class A Unit) to be held by each and provide a power of attorney for each such Person who does not sign this Signature Page and Power of Attorney authorizing the Person who signs to sign on behalf of each such Person.

| Name of members of<br>Partnership or Syndicate | Number of<br>Class A Units<br>(not a fraction)<br>(Syndicates only) | Signature<br>of member or<br>duly authorized attorney |
|--|---|---|
| _____  | _____   | _____   |
| _____  | _____   | _____   |
| _____  | _____   | _____   |
| _____  | _____   | _____   |

**Signature of Subscriber**

Dated at \_\_\_\_\_, in the Province of \_\_\_\_\_ this \_\_\_\_\_ of \_\_\_\_\_ 1980.  
(city) (Province) (date) (month)

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Signature of Subscriber  
(including Person signing on behalf  
of a syndicate, corporation,  
or partnership)

\_\_\_\_\_  
If a corporation, indicate  
title of person signing

**Note:**

A person is not entitled to the benefits of a Limited Partner until he is shown as such on the certificate required to be filed in the Central Registry under the laws of the Province of Alberta.

\_\_\_\_\_  
(Dealer Information—to be completed by Dealer)

\_\_\_\_\_  
(Name of Dealer and Salesman)

\_\_\_\_\_  
(Office Address of Dealer)

## **Schedule A: Daon Shopping Centres, Alberta; Limited Partnership Agreement**

### **DAON SHOPPING CENTRES, ALBERTA SIGNATURE PAGE AND POWER OF ATTORNEY**

The undersigned, desiring to subscribe for and purchase the number of Class A Units of Daon Shopping Centres, Alberta (a limited partnership formed under the laws of the Province of Alberta) (the "Partnership") set forth below and to become a Limited Partner in the Partnership pursuant to section 3.11 of the Amended and Restated Agreement of Limited Partnership dated October 30, 1980 (the "Partnership Agreement") included in the Offering Memorandum dated November 10, 1980 in respect of the offering of 1,420 Class A Units in the Partnership, hereby agrees to all of the terms of the Partnership Agreement, as from time to time amended and in effect (including any amendment thereto that may be made pursuant to section 13.3 thereof prior to the acceptance of this subscription as if the undersigned were, at such time, a Limited Partner) and agrees to be bound thereby. The undersigned, by executing this Signature Page and Power of Attorney, hereby executes, adopts and agrees to all terms, conditions, representations and warranties of the Subscription Agreement included as Schedule "A" to the Partnership Agreement.

In consideration of the General Partner accepting this subscription and conditional thereon, the undersigned hereby irrevocably nominates, constitutes and appoints the Managing General Partner of the Partnership with full power of substitution, as his agent and true and lawful attorney to act on behalf of the undersigned with full power and authority in his name, place and stead to execute swear to, acknowledge, deliver and record or file as and where required:

(1) the Partnership Agreement, any Certificate, any amendment to the Partnership Agreement or any Certificate and any other instrument required to qualify, continue and keep in good standing the Partnership as a limited partnership in or otherwise to comply with the laws of any jurisdiction in which the Partnership may carry on business or own or lease property in order to maintain the limited liability of the Limited Partners and to comply with the applicable laws of such jurisdiction (including such amendments to the Certificate as may be necessary to reflect the admission to the Partnership of additional limited partners (as contemplated by section 3.11) or substitute Limited Partners (as contemplated by section 3.18));

(2) any instrument and any amendment to any Certificate necessary to reflect any amendment to the Partnership Agreement;

(3) any instrument required in connection with the dissolution and termination of the Partnership;

(4) any instrument required in connection with an assignment of a Class A Unit to Daon pursuant to section 7.6 of the Partnership Agreement; and

(5) any instrument required in connection with any election that may be made under the Income Tax Act (Canada) or any analogous fiscal legislation.

The power of attorney granted hereby is irrevocable and is a power coupled with an interest and shall survive the disability of the undersigned or the assignment by the undersigned of the whole or any part of the interest of the undersigned in the Partnership and extends to the heirs, executors, administrators and other legal representatives and successors and assigns of the undersigned and shall survive the death or disability of the undersigned until notice of such death or disability is delivered to the Managing General Partner.

The undersigned agrees to be bound by any representation or action made or taken by the Managing General Partner pursuant to this power of attorney and hereby waives any and all defences which may be available to contest, negate or disaffirm the action of the Managing General Partner taken in good faith under this power of attorney.

## SUBSCRIPTION

### Number of Class A Units and Payment

### Subscriber

Number of Class A Units  
subscribed for:  
(minimum subscription  
four Class A Units)

\_\_\_\_\_ Class A  
Units (minimum  
of four)

\_\_\_\_\_  
(Name of Subscriber — Please Print or Type)  
(If a partnership or syndicate, see below)

Amount of subscription  
and payment:

Amount of subscription  
(\$125,000 per Class A Unit;  
minimum amount, \$500,000  
additional Class A Units,  
\$125,000 each):

\$ \_\_\_\_\_

\_\_\_\_\_  
(Address of Subscriber)

\_\_\_\_\_  
(City, Province, Postal Code)

Payment:

by letter of credit  
in the amount of:  
from \_\_\_\_\_

\$ \_\_\_\_\_

\_\_\_\_\_  
(Social Insurance Number if applicable)

(name of bank)

\_\_\_\_\_  
(branch)

by cash or certified  
cheque tendered herewith:  
Total

\$ \_\_\_\_\_

\$ \_\_\_\_\_

### PARTNERSHIPS OR SYNDICATES

If the subscriber is a partnership or a syndicate, list the names of all Persons who are members of such partnership or syndicate and, if desired, the number of Class A Units (which may not be a fraction of a Class A Unit) to be held by each and provide a power of attorney for each such Person who does not sign this Signature Page and Power of Attorney authorizing the Person who signs to sign on behalf of each such Person.

| Name of members of<br>Partnership or Syndicate | Number of<br>Class A Units<br>(not a fraction)<br>(Syndicates only) | Signature<br>of member or<br>duly authorized attorney |
|--|---|---|
| _____  | _____   | _____   |
| _____  | _____   | _____   |
| _____  | _____   | _____   |
| _____  | _____   | _____   |

### Signature of Subscriber

Dated at \_\_\_\_\_, in the Province of \_\_\_\_\_ this \_\_\_\_\_ of \_\_\_\_\_, 1980.  
(city) (Province) (date) (month)

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Signature of Subscriber  
(including Person signing on behalf  
of a syndicate, corporation,  
or partnership)

\_\_\_\_\_  
If a corporation, indicate  
title of person signing

### Note:

A person is not entitled to the benefits of a Limited Partner until he is shown as such on the certificate required to be filed in the Central Registry under the laws of the Province of Alberta.

\_\_\_\_\_  
(Dealer Information—to be completed by Dealer)

\_\_\_\_\_  
(Name of Dealer and Salesman)

\_\_\_\_\_  
(Office Address of Dealer)

**Schedule B: Daon Shopping Centres, Alberta; Limited Partnership Agreement**

**FORM OF UNIT CERTIFICATE**

No. \_\_\_\_\_

\_\_\_\_\_ Class \_\_\_\_\_ Units

**UNIT CERTIFICATE  
DAON SHOPPING CENTRES, ALBERTA**

**(a limited partnership formed under the  
laws of the Province of Alberta)**

THIS IS TO CERTIFY that \_\_\_\_\_  
is a Partner in and the holder of \_\_\_\_\_ Class \_\_\_\_\_ Units in DAON  
SHOPPING CENTRES, ALBERTA and, as such, is entitled to all of the rights, privileges and notices of a  
Partner holding Units of such class as set forth in the Amended and Restated Agreement of Limited  
Partnership Agreement referred to below.

This Certificate and the Class \_\_\_\_\_ Units represented hereby are held subject to the conditions and  
restrictions contained in Amended and Restated Agreement of Limited Partnership dated the 30th day of  
October, 1980 and made and entered into by and between Daon Development Corporation, Daon  
Properties Ltd., 999 Holdings Ltd. and those parties referred to as Limited Partners therein as amended  
from time to time.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_

This Certificate is not valid unless signed by an  
Authorized Representative of (insert name of  
Transfer Agent).

(insert name of Managing General Partner) as  
Managing General Partner

(insert name of Transfer Agent)

By: \_\_\_\_\_  
(insert office)

By: \_\_\_\_\_  
Authorized Representative



## Schedule C: Daon Shopping Centres, Alberta; Limited Partnership Agreement

Units in the Partnership are to be assigned by instrument in writing substantially in the following form:

### ASSIGNMENT OF UNITS IN DAON SHOPPING CENTRES, ALBERTA

The undersigned, a Partner of Daon Shopping Centres, Alberta (the "Partnership"), hereby transfers to

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(Name of Assignee)

all of the undersigned's right, title and interest in and to        Class        Units in the Partnership and assigns to the aforesaid assignee all of the interest of the undersigned in the Partnership that is represented thereby. The undersigned agrees to furnish to the Managing General Partner of the Partnership (the "Managing General Partner") such documents, certificates, assurances and other instruments as the Managing General Partner may require to effect this assignment and to continue and keep in good standing the Partnership as a limited partnership. The undersigned agrees that the power of attorney previously granted by the undersigned to the Managing General Partner shall continue in full force and effect, and shall be irrevocable, until all Certificates, all amendments to all Certificates and all other instruments required to effect this assignment and to continue and keep in good standing the Partnership as a limited partnership have been furnished to the Managing General Partner as aforesaid and have been recorded or filed as and where required.

Dated this        day of        , 19

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Witness

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(Signature of Limited Partner)

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(Name of Limited Partner-Please Print)

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(Residence Address)

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(City, Province, Postal Code)

The above named assignee accepts the above transfer and assignment and agrees to be bound, as a party to the Amended and Restated Agreement of Limited Partnership (the "Partnership Agreement") dated October 30, 1980 and entered into by and between Daon Development Corporation, Daon Properties Ltd., 999 Holdings Ltd. and those parties referred to as Limited Partners therein and as a Limited Partner in the Partnership, by the terms of the Partnership Agreement as from time to time amended and in effect.

The above named assignee represents and declares that he has the capacity and competence to enter into and be bound by the Partnership Agreement.

### Schedule C: Daon Shopping Centres, Alberta; Limited Partnership Agreement

The above named assignee hereby irrevocably constitutes and appoints the Managing General Partner of the Partnership (the "Managing General Partner"), with full power of substitution, as his agent and true and lawful attorney to act on his behalf with full power and authority in his name, place and stead to execute, swear to, acknowledge, deliver and record or file as and where required:

(1) the Partnership Agreement, any Certificate, any amendment to any Certificate and any other instrument required to qualify, continue and keep in good standing the Partnership as a limited partnership in or otherwise to comply with the laws of any jurisdiction in which the Partnership may carry on business or own or lease property in order to maintain the limited liability of the Limited Partners and to comply with the applicable laws of such jurisdiction (including such amendments to the Certificate as may be necessary to reflect the admission to the Partnership of additional limited partners (as contemplated by section 3.12) or substituted Limited Partners (as contemplated by section 3.18));

(2) any instrument and any amendment to any Certificate necessary to reflect any amendment to the Partnership Agreement;

(3) any instrument required in connection with the dissolution and termination of the Partnership;

(4) any instrument required in connection with an assignment of a Class A Unit to Daon pursuant to section 7.6 of the Partnership Agreement; and

(5) any instrument required in connection with any election that may be made under the Income Tax Act (Canada) or any analogous fiscal legislation.

The power of attorney granted hereby is irrevocable and is a power coupled with an interest and shall survive the disability of the above named assignee or the assignment by the above named assignee of the whole or any part of the interest of the above named assignee in the Partnership and extends to the heirs, executors, administrators and other legal representatives and successors and assigns of the above named assignee and shall survive the death or disability of the above named assignee until notice of such death or disability is delivered to the Managing General Partner. The above named assignee agrees to be bound by any representation or action made or taken by the Managing General Partner pursuant to this power of attorney and hereby waives any and all defenses which may be available to contest, negate or disaffirm the action of the Managing General Partner taken in good faith under this power of attorney.

Dated this       day of       , 19   .

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Witness

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(Signature of Assignee)

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(Name of Assignee—Please Print)

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(Residence Address)

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(City, Province, Postal Code)

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(Social Insurance Number  
(if any), of Assignee)

## INSTRUCTIONS TO SUBSCRIBERS

Any Person (which includes a corporation, partnership or a syndicate) who desires to subscribe for Class A Units should carefully read the Offering Memorandum and, if desiring to subscribe for Class A Units, complete the following steps.

1. **Complete and sign page S-1 and S-2, the Signature Page and Power of Attorney.** Please print or type all information. The Signature Page and Power of Attorney will be attached to and becomes part of the Partnership Agreement.

2. The subscriber should return the completed Signature Page and Power of Attorney together with (i) a letter of credit in the form set out on page A-56 issued by a Canadian chartered bank in the full amount of the Subscription Price, (ii) cash or a certified cheque payable to National Trust Company, Limited for 25% thereof together with a letter of credit in the form set out on page A-56 issued by a Canadian chartered bank for the balance thereof or (iii) cash or a certified cheque payable to National Trust Company, Limited for the full amount of the Subscription Price. **A subscription will not be deemed to be received unless the Signature Page and Power of Attorney is completed and is accompanied by the requisite letter of credit and/or cash or certified cheque.** The completed Signature Page and Power of Attorney should be returned to the Agent through whom the subscriber intends to subscribe for the Class A Units. The specimen copy of the Signature Page and Power of Attorney on pages A-57 and A-58 should not be executed.

3. The form of letter of credit is set out on page A-56. This form of letter of credit (with appropriate insertions and/or deletions) is to be typed on letterhead of the Canadian chartered bank issuing the same, and delivered with the completed Signature Page and Power of Attorney.

4. **If the Class A Units are subscribed for by a partnership or syndicate, the name of each member of the partnership or syndicate must appear on the Signature Page and Power of Attorney** and each such member must sign the Signature Page and Power of Attorney or deliver with the Signature Page and Power of Attorney, a power of attorney in form acceptable to the General Partner from, or other evidence of the authority of, the person signing such Signature Page and Power of Attorney to sign on behalf of each member thereof. A form of a power of attorney acceptable to the General Partner is available from an Agent.

If the Class A Units are subscribed for by a syndicate, then the number of Class A Units (which may not be a fraction of a Class A Unit) to be held by each member of such syndicate may be indicated in the space provided on the Signature Page and Power of Attorney. Class A Units subscribed for by a Partnership will be held jointly in the names of all members of the Partnership. A partnership, each of the members of which meet the eligibility requirements set forth in subparagraph 2(a) or 2(b) of the Subscription Agreement, may hold a single Class A Unit.

5. If the Class A Units are subscribed for by a corporation, the seal of the corporation must be affixed and the title of the signing officer indicated and the Signature Page and Power of Attorney must be accompanied by a certified copy of a resolution of directors in form acceptable to the General Partner authorizing the subscription and the execution of the Signature Page and Power of Attorney. A form of resolution acceptable to the General Partner is available from an Agent.

6. The "dealer information" is to be completed by the Agent.

7. **The name of any legal, accounting or tax advisor with whom the subscriber has consulted should be indicated in the space provided.**

8. No Person (including a partnership or a member of a syndicate) may subscribe for or hold a fraction of a Class A Unit.





25% of upside of center.

900 kept for  
Centoria

"... for a ... and ... 11 to 15-16% ...  
number of ... 3-1/2 ...

→ major diff ... - 2 ...

→ major diff ... - Alberta ... 65%.

→ 100% ... 65% ... return of capital ...

buy on 100% financing, 75% ...

...

→ ... partners ... for Alberta  
... part in advisory role ...

→ guarantee

→ brokerage fees 3-4% ...  
... 4-5 ...

→ unlabeled

→ completed ... has soft costs ...

→ ... of ...

→ ... T.O. center ...

2 yr @ 36 yr 17 1/2

also a right hand side to get some of  
the other right values & also for the left  
hand

Profit

7/20/17  
 "expose the a town... of the f.o. after tax growth over  
 view town va pp. 6000 as in Oct 3/80 at 100  
 exists market at 200-million 200-million  
 the capital on

4. qu. se con Norma p. is. Aquella. e p. p. en q.

[illegible]

1250 Sm. Dry 1/2  
County ~~Apas~~ Anderson Ranch, 4-5/20  
O.K. size - 1-2 gr. dry. Sem. v. Class  
cholson.



sp. continues. News (dole) - I saw you. North Bay

over the side of the U.S. side  
Vancouver  
Seattle plus  
2 yr. 50

V. Br... 2 gr. 500  
 Codif... 3rd pdc 1000  
 Synthes. offic 1000  
 Fran... 53-40

Sh. Al now Long Beach... 2 to sold Taylor  
M. Lr.

Also  
 print basis  $\frac{4900 + 5300}{2}$  to M. 4.  
 1325... ppl Mow 1325 P. 11  
 legal calc. 4

print basis 4900, 3300.  
counts cross. 63ns... ppl Mew Bzo P<sup>n</sup>  
Wd polymer acc to - gov of amblyopical calen. 4  
ntn + ppe sld r ble r yf 5% del 3-8  
the ox vpple → Can have 800 one ldr sd.  
D/roo

2nd go for p.p. 1st  
 2nd move back - c.p. from -  
 c.p. ... few sh. ... Woodcroft  
 1st p.d. of more R  
 1st ... 2nd ... to ...

PA sleep pos gum  
iron chelation  
Dallam  
2 ppc